

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>CITY OF TISHREMINO</b>	County <b>MARQUETTE</b>
Fiscal Year End <b>12-31-2006</b>	Opinion Date <b>5-28-2007</b>	Date Audit Report Submitted to State <b>6-27-2007</b>	

We affirm that:

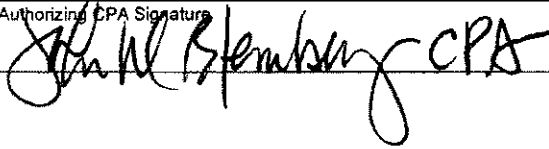
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>ANDERSON, TACKMAN &amp; CO. PLLC</b>		Telephone Number <b>1-906-225-1166</b>		
Street Address <b>102 N. WASHINGTON ST SUITE 109</b>		City <b>MARQUETTE</b>	State <b>MI</b>	Zip <b>49855</b>
Authorizing CPA Signature 		Printed Name <b>JOHN W. BLUMBERG</b>		License Number <b>1101010180</b>

**CITY OF ISHPEMING, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2006**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members  
of the City Council  
City of Ishpeming, Michigan  
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Ishpeming, Michigan, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the City of Ishpeming, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information of the City of Ishpeming, Michigan at December 31, 2006, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2007 on our consideration of City of Ishpeming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 44 through 46 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinions on it.

To the Honorable Mayor and Members  
of the City Council  
City of Ishpeming, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ishpeming, Michigan's basic financial statements. The combining and individual fund financial schedules listed as other financial information in the table of contents are presented for purpose of additional analysis and are not a required part of basic financial statements of the City of Ishpeming, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinions, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

May 28, 2007

# City of Ishpeming, Michigan

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Ishpeming's financial performance provides an overview of the City's financial activities for the year ended December 31, 2006. Please read it in conjunction with the financial statements, which begin on page 12.

### FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole decreased by \$443,751 as a result of this year's operations. Net assets of our business-type activities decreased by \$(757,211), or 4 percent, and net assets of our governmental activities increased by \$313,460, or 6 percent.
- During the year, the City had expenses for governmental activities that were \$4,576,983 and generated \$4,890,443 in general revenues and other program sources.
- The City's business-type activities had expenses of \$2,363,808 and generated \$1,606,597 in revenues.
- The general fund reported a net change in fund balance of \$(21,041). This is \$(14,834) lower than the forecasted increase of \$35,882.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, water and ambulance systems and activities are reported here.
- *Component units* – The City includes two separate legal entities in its report – the Downtown Development Authority and the Ishpeming Housing Commission. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

## The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2006 and 2005.

Table 1  
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$4,051,563	\$3,782,403	\$ 1,128,216	\$1,572,075	\$5,179,779	\$5,354,478
Noncurrent assets	323,069	352,375	5,978,995	6,043,366	6,302,064	6,395,741
Capital assets, net	<u>5,286,143</u>	<u>5,204,532</u>	<u>9,372,488</u>	<u>9,669,604</u>	<u>14,658,631</u>	<u>14,874,136</u>
Total Assets	<u>9,660,775</u>	<u>9,339,310</u>	<u>16,479,699</u>	<u>17,285,045</u>	<u>26,140,474</u>	<u>26,624,355</u>
Current Liabilities	2,243,283	2,062,437	162,022	210,157	2,405,305	2,272,594
Noncurrent liabilities	<u>2,201,868</u>	<u>2,374,709</u>	-	-	<u>2,201,868</u>	<u>2,374,709</u>
Total Liabilities	<u>4,445,151</u>	<u>4,437,146</u>	<u>162,022</u>	<u>210,157</u>	<u>4,607,173</u>	<u>4,647,303</u>
Net Assets:						
Invested in capital assets, net of related debt	3,675,143	3,514,532	15,351,483	15,712,970	19,026,626	19,227,502
Restricted	899,616	866,296	-	-	899,616	866,296
Unrestricted	<u>640,865</u>	<u>521,336</u>	<u>966,194</u>	<u>1,361,918</u>	<u>1,607,059</u>	<u>1,883,254</u>
Total net Assets	<u>\$5,215,624</u>	<u>\$4,902,164</u>	<u>\$ 16,317,677</u>	<u>\$17,074,888</u>	<u>\$ 21,533,301</u>	<u>\$21,977,052</u>

Net assets of the City's governmental activities stood at \$5,215,624. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$640,865.

The \$640,865 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$16,317,677. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2  
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program revenues:						
Charges for services	\$ 867,668	\$899,112	\$ 1,701,853	\$2,329,119	\$ 2,603,413	\$3,228,231
Operating grants and distributions	973,879	1,219,790	-	-	973,879	1,219,790
Capital grants and contributions	-	-	-	31,500	-	31,500
General revenues:						
Taxes	1,727,356	1,796,175	-	-	1,727,356	1,796,175
Unrestricted Intergovernmental	980,906	987,950	-	-	980,906	987,950
Investment earnings	142,022	71,702	39,744	26,359	181,766	98,061
Miscellaneous	<u>63,612</u>	<u>80,495</u>	-	-	<u>63,612</u>	<u>80,495</u>
Total Revenues	<u>4,755,443</u>	<u>5,055,224</u>	<u>1,741,597</u>	<u>2,386,978</u>	<u>6,497,040</u>	<u>7,442,202</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

Table 2 (Continued)

**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program Expenses:						
Legislative	\$17,163	\$18,602	\$-	\$-	\$17,163	\$18,602
General government	1,364,812	1,330,283	-	-	1,364,812	1,330,283
Public safety	718,129	775,419	-	-	718,129	775,419
Public works	1,796,699	1,803,278	-	-	1,796,699	1,803,278
Recreation and culture	335,224	354,736	-	-	335,224	354,736
Other governmental	201,305	320,133	-	-	201,305	320,133
Interest on long-term debt	93,156	106,576	-	-	93,156	106,576
Depreciation – unallocated	50,495	36,362	-	-	50,495	36,362
Ambulance	-	-	284,831	740,483	284,831	740,483
Sewer	-	-	1,271,259	1,106,092	1,271,259	1,106,092
Water	-	-	807,718	737,588	807,718	737,588
Total Expenses	<u>4,576,983</u>	<u>4,745,389</u>	<u>2,363,808</u>	<u>2,584,163</u>	<u>6,940,791</u>	<u>7,329,552</u>
Excess (deficiency) before transfers	178,460	309,835	(622,211)	(197,185)	(443,751)	112,650
Transfers	<u>135,000</u>	<u>150,000</u>	<u>(135,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>313,460</u>	<u>459,835</u>	<u>(757,211)</u>	<u>(347,185)</u>	<u>(443,751)</u>	<u>112,650</u>
Net assets, beginning	<u>4,902,164</u>	<u>4,442,329</u>	<u>17,074,888</u>	<u>17,422,073</u>	<u>21,977,052</u>	<u>21,864,402</u>
Net Assets, Ending	<u>\$5,215,624</u>	<u>\$4,902,164</u>	<u>\$ 16,317,677</u>	<u>\$17,074,888</u>	<u>\$21,533,301</u>	<u>\$21,977,052</u>

The City's total revenues were \$6,497,040. The total cost of all programs and services was \$6,940,791, leaving a decrease in net assets of \$443,751. Our analysis below separately considers the operations of governmental and business-type activities:

***Governmental Activities***

Government activities net assets increased by \$313,460. This increase was due mainly to a net decrease of \$168,406 in expenses.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$1,364,812	\$ 1,218,642
Public Safety	718,129	700,465
Public Works	1,796,699	521,126

***Business-type Activities***

Business-type activities net assets decreased by \$757,211. The Sewer System experienced a \$623,703 reduction and the Ambulance Fund experienced a \$263,482 reduction due to expenses exceeding revenue. The Water Fund experienced a \$129,974 net increase to bring the net decrease in Business-Type Activities to \$757,211.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a *combined* fund balance of \$2,256,349, an increase of \$54,622 from the beginning of the year.

The combined fund balance increase of \$54,622 was due to the reduction in General Fund expenditures, increases in the fund balances of the Major Street Fund and Other Governmental Funds and offset by a decline in the Public Improvement Fund.

### General Fund Budgetary Highlights

The fiscal year 2006 General Fund Revenue Budget was adjusted downward by \$75,274 to reflect Tax Tribunal judgments for various private utility companies, dating back for the period from 1998 to 2003. This adjustment also reduced the projected General Fund Balance.

With these adjustments, actual charges to expenditures were \$127,179 less than the final amended budget and other financing sources were \$85,616 less than the final amended budget. Conversely, revenues were \$56,397 less than the final budget projection. Over the course of the year, the City Council revised the budget a few times.

General Fund expenses were \$127,179 less than the final budget because Legislative expenses were \$2,837 less than the final budget; General Government expenses were \$83,235 less than the final budget; Public Works was \$49,500 less than the final budget; and Recreation and Culture was \$4,784 less than the final budget. Public Safety was \$13,177 more than the final budget. Overall the fiscal year 2006 General Fund expenses were \$127,179 less than the final General Fund Budget.

General Fund Revenue was \$56,397 less than the final revenue budget because Taxes were \$80,812 under budget; State Sources were \$8,433 under budget; Local Sources were \$653 under budget; Licenses and Permits were \$5,447 under budget; Charges for Services was \$17,830 over budget and Interest Income, Contributions, Fines and Forfeitures and Other Revenues were a total of \$21,118 over budget.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2006, the City had \$14,658,630 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities – 2006	Business-type Activities – 2006	Totals – 2006
Land	\$ 1,095,241	\$ 10,888	\$ 1,106,129
Historical treasures	13,925	-	13,925
Construction in progress	240,018	-	240,018
Buildings	2,278,645	-	2,278,645
Equipment and vehicles	1,145,336	13,297	1,158,633
Infrastructure	512,978	-	512,978
Sewer system and equipment	-	7,624,151	7,624,151
Water system and equipment	-	1,724,152	1,724,152
Totals	\$ 5,286,143	\$ 9,372,488	\$ 14,658,631

In 2006, the City's major capital additions included building improvements reimbursed with C.D.B.G. grant funds, land, pagers, air compressor, dump truck, and other equipment.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)

Capital projects planned for 2007 include public water and sewer infrastructure for the new Bell Hospital. This is being funded 100% by Bell hospital. Additionally, the reconstruction of Pine Street is scheduled to being in late 2007 or early 2008. This project will be partially funded by a \$375,000 MDOT Small Urban Grant.

### Debt

At year-end, the City had \$2,020,000 in bonds and notes outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities – 2006	Business-type Activities – 2006	Totals – 2006
Revenue bonds	\$1,320,000	\$-	\$1,320,000
Contracts and notes payable	700,000	-	700,000
Totals	<u>\$2,020,000</u>	<u>\$-</u>	<u>\$2,020,000</u>

Further details on long-term debt can be found in Note I.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2007 budget. One of those factors is the economy. The inability to increase property taxes proportional to the cost of providing government services and the continued reduction in State Statutory Revenue sharing payment along with the double digit increases in health insurance, natural gas, electricity and vehicle fuels has resulted in the City work force to be reduced by 20 percent through layoffs and retirements. In fiscal year 2005 the City Council approved the transfer of the City Ambulance Service to Bell Memorial Hospital and converting our Fire Department to all volunteer status effective January 1, 2006. Paramedics were also full time firefighters. This action should eliminate the cash overdrafts the Ambulance Fund has experienced over the past 10 years.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Ishpeming, 100 East Division Street, Ishpeming, Michigan 49849.

City of Ishpeming, Michigan  
Statement of Net Assets  
December 31, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Component Unit
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 872,838	\$ 733,707	\$ 1,606,545
Investments	856,124	-	856,124
Receivables (net)	2,293,760	345,400	2,639,160
Prepaid expenses and other assets	28,841	49,109	77,950
Other current assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,051,563</b>	<b>1,128,216</b>	<b>5,179,779</b>
Noncurrent assets:			
Long-term receivables	323,069	-	323,069
Unamortized bond issue costs	-	-	-
Investment in Wastewater Treatment Facility	-	2,471,672	2,471,672
Investment in Joint Water Authority	-	3,507,323	3,507,323
Capital assets:			
Land and construction in progress	1,335,259	-	1,335,259
Other capital assets	14,715,785	18,049,737	32,765,522
Accumulated depreciation	(10,764,901)	(8,677,249)	(19,442,150)
Total Capital Assets	5,286,143	9,372,488	14,658,631
<b>TOTAL NONCURRENT ASSETS</b>	<b>5,609,212</b>	<b>15,351,483</b>	<b>20,960,695</b>
<b>TOTAL ASSETS</b>	<b>9,660,775</b>	<b>16,479,699</b>	<b>26,140,474</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	432,095	62,508	494,603
Accrued liabilities	80,805	65,495	146,300
Compensated absences	6,168	34,019	40,187
Deferred revenue	1,599,215	-	1,599,215
Current portion of bonds payable	65,000	-	65,000
Current portion of notes payable	60,000	-	60,000
Other current liabilities	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,243,283</b>	<b>162,022</b>	<b>2,405,305</b>
Noncurrent Liabilities:			
Compensated absences	306,868	-	306,868
Bonds payable	1,255,000	-	1,255,000
Long-term contracts and notes payable	640,000	-	640,000
Deferred gain on refunding	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,201,868</b>	<b>-</b>	<b>2,201,868</b>
<b>TOTAL LIABILITIES</b>	<b>4,445,151</b>	<b>162,022</b>	<b>4,607,173</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	3,675,143	15,351,483	19,026,626
Restricted for:			
Debt Service	-	-	-
Other activities	899,616	-	899,616
Unrestricted	640,865	966,194	1,607,059
<b>TOTAL NET ASSETS</b>	<b>\$ 5,215,624</b>	<b>\$ 16,317,677</b>	<b>\$ 21,533,301</b>
			<b>\$ 4,349,102</b>

The accompanying notes are an integral part of these financial statements.

**City of Isthpeming, Michigan**  
**Statement of Activities**  
**For the Year Ended December 31, 2006**

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business Type Activities	Component Unit
<b>Primary Government:</b>						
Governmental Activities:						
Legislative	\$ 17,163	\$ -	\$ -	\$ (17,163)	\$ -	\$ (17,163)
General government	1,364,812	146,170	-	(1,218,642)	-	(1,218,642)
Public safety	718,129	15,525	2,138	(700,465)	-	(700,465)
Public works	1,796,699	596,006	679,567	(521,126)	-	(521,126)
Recreation and culture	335,224	76,597	30,803	(227,824)	-	(227,824)
Other governmental	201,305	33,370	261,370	93,435	-	93,435
Interest on long-term debt	93,156	-	-	(93,156)	-	(93,156)
Depreciation - unallocated	50,495	-	-	(50,495)	-	(50,495)
<b>Total Governmental Activities</b>	<b>4,576,983</b>	<b>867,658</b>	<b>973,879</b>	<b>(2,735,436)</b>	<b>-</b>	<b>(2,735,436)</b>
<b>Business Type Activities:</b>						
Ambulance	284,831	(13,670)	-	-	(298,501)	(298,501)
Sewer	1,271,259	696,106	-	-	(575,153)	(575,153)
Water	807,718	1,019,417	-	-	211,699	211,699
<b>Total Business Type Activities</b>	<b>2,363,808</b>	<b>1,701,853</b>	<b>-</b>	<b>-</b>	<b>(661,955)</b>	<b>(661,955)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,940,791</b>	<b>\$ 2,569,521</b>	<b>\$ 973,879</b>	<b>(2,735,436)</b>	<b>(661,955)</b>	<b>(3,397,391)</b>
<b>Component Unit:</b>						
Downtown Development Authority	262,457	-	-	-	-	(262,457)
Isthpeming Housing Commission	739,889	339,928	166,383	-	-	60,294
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 1,002,346</b>	<b>\$ 339,928</b>	<b>\$ 166,383</b>	<b>-</b>	<b>-</b>	<b>(202,163)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes				1,426,747	-	1,426,747
Payment in lieu of taxes				300,609	-	300,609
Unrestricted intergovernmental sources				980,906	-	980,906
Interest and investment earnings				142,022	39,744	181,766
Miscellaneous				63,612	-	63,612
Gain/(loss) on sale of assets				-	-	-
Transfers				135,000	(135,000)	-
<b>TOTAL GENERAL REVENUES &amp; TRANSFERS</b>				<b>3,046,896</b>	<b>(95,256)</b>	<b>2,953,640</b>
<b>CHANGE IN NET ASSETS</b>				<b>313,460</b>	<b>(757,211)</b>	<b>(443,751)</b>
Net assets, beginning of year				<b>4,902,164</b>	<b>17,074,888</b>	<b>21,977,052</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,215,624</b>	<b>\$ -</b>	<b>\$ 16,317,677</b>	<b>\$ 21,533,301</b>	<b>\$ -</b>	<b>\$ 4,349,102</b>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**  
Governmental Funds  
Balance Sheet  
December 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Public Improvement Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 18,662	\$ 81,832	\$ 143,686	\$ 144,266	\$ 224,932	\$ 333,266	\$ 946,644
Investments	15,000	-	-	-	-	841,124	856,124
Accounts receivable, net	379,567	-	-	-	-	56,429	435,996
Taxes receivable	820,247	-	-	347,654	-	208,590	1,376,491
Due from other governments	37,472	50,457	21,389	-	600	222,738	332,656
Due from component units	-	-	-	-	-	-	-
Due from other funds	683,278	-	-	330,523	19,510	482,436	1,515,747
Prepaid expenditures	28,841	-	-	-	-	-	28,841
Notes receivable	-	-	-	13,925	309,144	-	323,069
<b>TOTAL ASSETS</b>	<b>\$ 1,983,067</b>	<b>\$ 132,289</b>	<b>\$ 165,075</b>	<b>\$ 836,368</b>	<b>\$ 554,186</b>	<b>\$ 2,144,583</b>	<b>\$ 5,815,568</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,806	\$ 73,806
Accounts payable	132,370	2,199	184,043	28,961	-	38,845	366,418
Accrued payroll	71,543	857	1,032	-	-	1,944	75,376
Accrued sick and vacation leave	6,168	-	-	-	-	-	6,168
Accrued liabilities	5,429	-	-	-	-	-	5,429
Due to other funds	644,896	-	-	230,841	20,618	536,652	1,432,807
Deferred revenue	1,042,971	-	-	347,654	-	208,590	1,599,215
<b>TOTAL LIABILITIES</b>	<b>1,903,177</b>	<b>3,056</b>	<b>165,075</b>	<b>607,456</b>	<b>20,618</b>	<b>859,837</b>	<b>3,559,219</b>
<b>FUND BALANCE:</b>							
Reserved for:							
Capital outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	899,616	899,616
Unreserved, reported in:							
General Fund	79,890	-	-	-	-	-	79,890
Special Revenue Funds	-	129,233	-	228,912	533,568	385,130	1,276,843
<b>TOTAL FUND BALANCE</b>	<b>79,890</b>	<b>129,233</b>	<b>-</b>	<b>228,912</b>	<b>533,568</b>	<b>1,284,746</b>	<b>2,256,349</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,983,067</b>	<b>\$ 132,289</b>	<b>\$ 165,075</b>	<b>\$ 836,368</b>	<b>\$ 554,186</b>	<b>\$ 2,144,583</b>	<b>\$ 5,815,568</b>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**December 31, 2006**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>2,256,349</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,286,143
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 65,000	
Current portion of notes and contracts payable	60,000	
Compensated absences	306,868	
Bonds payable	1,255,000	
Long-term contracts and notes payable	640,000	
		(2,326,868)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>5,215,624</b>
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The accompanying notes are an integral part of these financial statements.



City of Ishpeming, Michigan  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Public Improvement Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 1,135,188	\$ -	\$ -	\$ 301,353	\$ -	\$ 180,815	\$ 1,617,356
Federal sources	-	-	-	-	-	31,992	31,992
State sources	991,267	455,009	224,558	-	-	10,032	1,680,866
Local sources	26,347	-	-	-	-	-	26,347
Licenses and permits	56,453	-	-	-	-	-	56,453
Charges for services	97,230	-	-	-	-	-	-
Interest income and rentals	297,048	2,998	-	12,308	12,180	270,189	367,419
Contributions	5,174	-	-	110,000	-	51,689	376,223
Fines and forfeitures	66,517	-	-	-	-	6,640	121,814
Other revenues	15,279	18,150	-	124,106	8,270	21,913	187,718
<b>TOTAL REVENUES</b>	<b>2,690,503</b>	<b>476,157</b>	<b>224,558</b>	<b>547,767</b>	<b>20,450</b>	<b>573,270</b>	<b>4,532,705</b>
<b>EXPENDITURES:</b>							
Current operations:							
Legislative	17,163	-	-	-	-	-	17,163
General government	1,350,465	-	-	-	-	-	1,350,465
Public safety	645,825	-	-	-	-	-	645,825
Public works	576,000	352,271	528,428	-	-	354,261	1,810,960
Recreation and culture	245,686	-	-	-	-	14,377	260,063
Other governmental	-	-	-	-	944	198,526	199,470
Debt service:							
Principal	-	9,028	6,020	123,953	-	35,770	174,771
Interest and fiscal charges	-	20,210	2,690	36,647	-	54,396	113,943
Capital outlay	-	-	-	263,161	-	-	263,161
<b>TOTAL EXPENDITURES</b>	<b>2,835,139</b>	<b>381,509</b>	<b>537,138</b>	<b>423,761</b>	<b>944</b>	<b>657,330</b>	<b>4,835,821</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(144,636)</b>	<b>94,648</b>	<b>(312,580)</b>	<b>124,006</b>	<b>19,506</b>	<b>(84,060)</b>	<b>(303,116)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Investment in landfill	-	-	-	-	-	-	-
Transfers in	265,684	-	312,580	-	-	304,738	883,002
Transfers (out)	(100,000)	(10,000)	-	(304,580)	(15,000)	(95,684)	(525,264)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>165,684</b>	<b>(10,000)</b>	<b>312,580</b>	<b>(304,580)</b>	<b>(15,000)</b>	<b>209,054</b>	<b>357,738</b>
<b>CHANGE IN FUND BALANCE</b>	<b>21,048</b>	<b>84,648</b>	<b>-</b>	<b>(180,574)</b>	<b>4,506</b>	<b>124,994</b>	<b>54,622</b>
Fund balance, beginning of year	58,842	44,585	-	409,486	529,062	1,159,752	2,201,727
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 79,890</b>	<b>\$ 129,233</b>	<b>\$ -</b>	<b>\$ 228,912</b>	<b>\$ 533,568</b>	<b>\$ 1,284,746</b>	<b>\$ 2,256,349</b>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006

**Net Change in Fund Balances - Total Governmental Funds** **\$ 54,622**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense. This is the amount  
by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	449,874	
Depreciation expense		<u>(368,263)</u>	
			81,611

The net effect of various transactions involving capital assets (disposal of capital  
assets and sales) is to decrease net assets.

-

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net assets.

185,953

Proceeds of borrowing are an other financing source in the funds, but a debt  
issue increases long-term liabilities in the statement of net assets.

-

Some expenses reported in the statement of activities, such as compensated  
absences, do not require the use of current financial resources and therefore  
are not reported as expenditures in governmental funds.

(8,726)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 313,460**

City of Ishpeming, Michigan  
Proprietary Funds  
Statement of Net Assets  
December 31, 2006

Business- Type Activities: Enterprise Funds				
	Ambulance Fund	Sewer Fund	Water Fund	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 123,582	\$ 685,137	\$ 808,719
Accounts receivable	467,811	60,454	264,946	793,211
Allowance for uncollectible accounts	(447,811)	-	-	(447,811)
Prepaid expenses	-	49,109	-	49,109
Other current assets	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>20,000</b>	<b>233,145</b>	<b>950,083</b>	<b>1,203,228</b>
Noncurrent Assets:				
Investment in Wastewater Treatment Facility	-	2,471,672	-	2,471,672
Investment in Joint Water Authority	-	-	3,507,323	3,507,323
Property, plant and equipment	267,420	14,166,469	3,615,848	18,049,737
Accumulated depreciation	(254,123)	(6,542,318)	(1,880,808)	(8,677,249)
<b>TOTAL NONCURRENT ASSETS</b>	<b>13,297</b>	<b>10,095,823</b>	<b>5,242,363</b>	<b>15,351,483</b>
<b>TOTAL ASSETS</b>	<b>33,297</b>	<b>10,328,968</b>	<b>6,192,446</b>	<b>16,554,711</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Cash overdrafts	75,012	-	-	75,012
Accounts payable	71	34,446	27,991	62,508
Accrued liabilities	-	-	54,049	54,049
Accrued payroll	-	3,548	7,898	11,446
Accrued sick and vacation leave	-	-	34,019	34,019
<b>TOTAL CURRENT LIABILITIES</b>	<b>75,083</b>	<b>37,994</b>	<b>123,957</b>	<b>237,034</b>
<b>TOTAL LIABILITIES</b>	<b>75,083</b>	<b>37,994</b>	<b>123,957</b>	<b>237,034</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	13,297	10,095,823	5,242,363	15,351,483
Net Assets:				
Unrestricted	(55,083)	195,151	826,126	966,194
<b>TOTAL NET ASSETS</b>	<b>\$ (41,786)</b>	<b>\$ 10,290,974</b>	<b>\$ 6,068,489</b>	<b>\$ 16,317,677</b>

The accompanying notes are an integral part of these financial sta

City of Ishpeming, Michigan  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended December 31, 2006

	<b>Business- Type Activities: Enterprise Funds</b>			
	<b>Ambulance Fund</b>	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Licenses and permits	-	360	400	760
Charges for services	(13,670)	729,638	1,003,225	1,719,193
Other operating revenue	-	-	15,792	15,792
<b>TOTAL OPERATING REVENUES</b>	<b>(13,670)</b>	<b>729,998</b>	<b>1,019,417</b>	<b>1,735,745</b>
<b>OPERATING EXPENSES:</b>				
Personal services	(233)	151,953	232,310	384,030
Capital outlay	-	-	-	-
Contractual services	7,600	429,061	320,010	756,671
Supplies	(1,528)	85,796	61,449	145,717
Utilities	2,574	1,327	8,979	12,880
Depreciation	11,397	351,908	81,588	444,893
Payment in lieu of taxes	-	185,000	95,000	280,000
Other expenses	265,020	1,843	8,382	275,245
<b>TOTAL OPERATING EXPENSES</b>	<b>284,830</b>	<b>1,206,888</b>	<b>807,718</b>	<b>2,299,436</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(298,500)</b>	<b>(476,890)</b>	<b>211,699</b>	<b>(563,691)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest expense	-	-	-	-
Tax Tribunal Adjustments	-	(33,893)	-	(33,893)
Loss on wastewater facility	-	(64,371)	-	(64,371)
Interest income and rentals	18	11,451	28,275	39,744
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>18</b>	<b>(86,813)</b>	<b>28,275</b>	<b>(58,520)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>(298,482)</b>	<b>(563,703)</b>	<b>239,974</b>	<b>(622,211)</b>
Capital contributions	-	-	-	-
Transfers in (out)	35,000	(60,000)	(110,000)	(135,000)
<b>CHANGE IN NET ASSETS</b>	<b>(263,482)</b>	<b>(623,703)</b>	<b>129,974</b>	<b>(757,211)</b>
Net assets, beginning of year	221,696	10,914,677	5,938,515	17,074,888
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (41,786)</b>	<b>\$ 10,290,974</b>	<b>\$ 6,068,489</b>	<b>\$ 16,317,677</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended December 31, 2006

	Business-Type Activities Enterprise Funds			
	Ambulance Fund	Sewer Fund	Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from fees and charges for services	\$ 415,273	\$ 726,807	\$ 1,001,684	\$ 2,143,764
Other operating revenues	-	-	15,792	15,792
Cash payments to employees for services	(63,135)	(150,120)	(226,847)	(440,102)
Cash payments for payroll taxes	(4,830)	(11,484)	(17,354)	(33,668)
Cash payments to suppliers for goods and services	(271,482)	(697,134)	(500,109)	(1,468,725)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>75,826</b>	<b>(131,931)</b>	<b>273,166</b>	<b>217,061</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in (out)	35,000	(60,000)	(110,000)	(135,000)
Increase in due to other funds	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>35,000</b>	<b>(60,000)</b>	<b>(110,000)</b>	<b>(135,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	-	-	(147,777)	(147,777)
Capital contributions received	-	-	-	-
Interest paid on long-term bonds	-	-	-	-
Principal payment on long-term bonds	-	-	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(147,777)</b>	<b>(147,777)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	18	11,451	28,275	39,744
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>18</b>	<b>11,451</b>	<b>28,275</b>	<b>39,744</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>110,844</b>	<b>(180,480)</b>	<b>43,664</b>	<b>(25,972)</b>
Cash and cash equivalents, beginning of year	(185,856)	304,062	641,473	759,679
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ (75,012)</b>	<b>\$ 123,582</b>	<b>\$ 685,137</b>	<b>\$ 733,707</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (298,500)	\$ (510,783)	\$ 211,699	\$ (597,584)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	11,397	351,908	81,588	444,893
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	428,943	(3,191)	(1,941)	423,811
(Increase) decrease in taxes receivable	-	-	-	-
(Increase) decrease in due from governmental units	-	-	-	-
(Increase) decrease in due from prepaid expenses	-	(5,924)	-	(5,924)
Increase (decrease) in accounts payable	(2,646)	34,226	(22,218)	9,362
Increase (decrease) in customer deposits payable	-	-	(1,425)	(1,425)
Increase (decrease) in accrued payroll	(63,368)	1,833	2,306	(59,229)
Increase (decrease) in accrued sick and vacation	-	-	3,157	3,157
Increase (decrease) in deferred revenue	-	-	-	-
<b>NET ADJUSTMENTS</b>	<b>374,326</b>	<b>378,852</b>	<b>61,467</b>	<b>814,645</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 75,826</b>	<b>\$ (131,931)</b>	<b>\$ 273,166</b>	<b>\$ 217,061</b>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
December 31, 2006

	<b>Private- Purpose Trust Funds</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 7,385	\$ 694,158	\$ 600,264
Investments	-	4,749,015	-
Notes receivables	-	-	-
Taxes receivable	-	69,525	-
Other receivables	-	38,431	-
Due from other governments	-	-	-
Due from other funds	-	65,747	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	7,385	5,616,876	<u><u>\$ 600,264</u></u>
<b>LIABILITIES</b>			
Accounts payable	-	5,018	\$ -
Due to other funds	70	-	148,617
Due to other governmental units	-	-	451,647
Deferred revenues	-	69,525	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	70	74,543	<u><u>\$ 600,264</u></u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	-	5,542,333	
Held in trust for individuals, organizations, and other governments	7,315	-	
	<hr/>	<hr/>	
<b>TOTAL NET ASSETS</b>	<u><u>\$ 7,315</u></u>	<u><u>\$ 5,542,333</u></u>	

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan  
Fiduciary Funds  
Statement in Changes in Fiduciary Net Assets  
For the Year Ended December 31, 2006

	Private- Purpose Trust Funds	Pension Trust Fund
<b>ADDITIONS:</b>		
Contributions:		
Employer	\$ -	\$ 131,051
Employee	-	59,249
Gifts, bequests and endowments	-	-
Total Contributions	<u>-</u>	<u>190,300</u>
Investment Income:		
Net appreciation (depreciation) in fair value of investments	-	403,327
Interest and dividends	<u>83</u>	<u>78,404</u>
Net Investment Income (Loss)	<u>83</u>	<u>481,731</u>
TOTAL ADDITIONS	<u>83</u>	<u>672,031</u>
<b>DEDUCTIONS:</b>		
Benefits and annuity withdrawals	-	380,845
Refunds of contributions	-	26,484
Administrative expense	-	35,942
Payments in accordance with trust agreements	1,097	-
Tax Tribunal Adjustments	<u>-</u>	<u>5,018</u>
TOTAL DEDUCTIONS	<u>1,097</u>	<u>448,289</u>
CHANGE IN NET ASSETS	(1,014)	223,742
Net assets, beginning of year	<u>8,329</u>	<u>5,318,591</u>
NET ASSETS, END OF YEAR	<u>\$ 7,315</u>	<u>\$ 5,542,333</u>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF NET ASSETS**  
December 31, 2006

	<b>Downtown Development Authority</b>	<b>Housing Commission</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 290,172	\$ 392,727	\$ 682,899
Cash and cash equivalents-reserved	-	-	-
Taxes receivable	393,946	-	393,946
Receivables, net	-	1,078	1,078
Investments	-	786,490	786,490
Other assets	-	13,341	13,341
<b>TOTAL CURRENT ASSETS</b>	<b>684,118</b>	<b>1,193,636</b>	<b>1,877,754</b>
Noncurrent Assets:			
Unamortized bond issue costs	21,259	-	21,259
Capital assets	-	7,952,722	7,952,722
Accumulated depreciation	-	(3,853,447)	(3,853,447)
<b>TOTAL NONCURRENT ASSETS</b>	<b>21,259</b>	<b>4,099,275</b>	<b>4,120,534</b>
<b>TOTAL ASSETS</b>	<b>705,377</b>	<b>5,292,911</b>	<b>5,998,288</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	222,738	23,209	245,947
Accrued liabilities	-	101,643	101,643
Current portion of bonds payable	100,000	-	100,000
Current portion of notes payable	50,000	-	50,000
Deferred Revenue	393,946	-	393,946
<b>TOTAL CURRENT LIABILITIES</b>	<b>766,684</b>	<b>124,852</b>	<b>891,536</b>
Noncurrent Liabilities:			
Bonds payable	780,000	-	780,000
Deferred gain on refunding	(44,000)	-	(44,000)
Other liabilities	-	21,650	21,650
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>736,000</b>	<b>21,650</b>	<b>757,650</b>
<b>TOTAL LIABILITIES</b>	<b>1,502,684</b>	<b>146,502</b>	<b>1,649,186</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	-	4,099,275	4,099,275
Unrestricted	(797,307)	1,047,134	249,827
<b>TOTAL NET ASSETS</b>	<b>\$ (797,307)</b>	<b>\$ 5,146,409</b>	<b>\$ 4,349,102</b>

The accompanying notes are an integral part of these financial statements.



**City of Ishpeming, Michigan**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2006

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Housing Commission	Total
Downtown Development Authority Operations	\$ -	\$ -	\$ -	\$ (262,457)	\$ -	(262,457)
Housing Commission Operations	339,928	168,383	291,872	-	60,294	60,294
TOTAL COMPONENT UNITS	\$ 339,928	\$ 168,383	\$ 291,872	(262,457)	60,294	(202,163)
General Revenues:						
Property taxes				331,697	-	331,697
Interest and investment earnings				10,334	44,571	54,905
Miscellaneous				-	20,944	20,944
TOTAL GENERAL REVENUES				342,031	65,515	407,546
CHANGE IN NET ASSETS						
				79,574	125,809	205,383
Net assets, beginning of year				(876,881)	5,020,600	4,143,719
NET ASSETS, END OF YEAR	\$ -			(797,307)	\$ 5,146,409	\$ 4,349,102

# **CITY OF ISHPEMING, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Ishpeming conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants, except for the maintenance of a general fixed asset group of accounts. The following is a summary of the more significant policies.

#### **REPORTING ENTITY**

The City was incorporated in 1873. The City operates under a Council - Manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Ishpeming (the primary government) and its component unit. The component unit discussed in Note B is included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

#### **BASIS OF PRESENTATION**

##### Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, water and ambulance services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

#### *Governmental Funds:*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Permanent Funds* - Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

#### *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *Fiduciary Funds*

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefor are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

### *Major Funds*

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** accounts for the activities related to receipt of allocated state shared gas and weight taxes to be spent on certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Public Improvement Fund** accounts for the activities related to development and improvement of the City's general capital assets.
- The **TIF District Fund** accounts for the activities related to operation and maintenance of the City's designated tax increment financing district.

The City reports the following major proprietary funds:

- The **Ambulance Fund** accounts for the activities related to operation of City ambulance service and billing for services.
- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **BASIS OF ACCOUNTING**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

#### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

### **FINANCIAL STATEMENT AMOUNTS**

#### Property Taxes

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. Property taxes are levied on December 1 based on the taxable value of property. City property tax revenues are recognized when levied to the extent that they result in current receivables.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Depreciation Life-Years
Buildings, structures, and improvements	30-50 years
Water supply and sewage disposal systems	20-50 years
Vehicles and equipment	5-20 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

### Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Not later than August 15, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than September 30, the budget is adopted by the City Council in accordance with the provisions of the City Charter.
4. The City Council adopts the budget by functional categories. Any transfers of appropriations between functions must be approved by the City Council. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Ishpeming because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

### Inventory

Inventory costs are recorded as expenditures when incurred.

### Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:**

### Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data for the Downtown Development Authority (DDA) and the Ishpeming Housing Commission. They are reported in a separate column to emphasize that they are legally separate from the City. The purpose of the DDA entity is to foster development of the Downtown Business District. The purpose of the Ishpeming Housing Commission is to provide low income housing programs for City residents.

The presentation of the financial statements of the DDA is complete, and there is no separately issued report for this entity. A complete financial statement for the Ishpeming Housing Commission can be obtained directly from the administrative office at 111 Bluff, Ishpeming, Michigan, 49849.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of Ishpeming City Schools is not included in the financial statements of the City.

## **NOTE C – CASH AND EQUIVALENTS:**

The composition of cash and equivalents reported on the Statement of Net Assets are as follows:

Cash and cash equivalents:	
Primary government	\$ 1,606,545
Component unit	682,899
Fiduciary funds	1,301,807
	<hr/>
TOTAL REPORTING ENTITY	\$ 3,591,251
A summary of deposits by type are:	
Cash in demand accounts	\$ 667,079
Cash in savings and time deposits	2,923,772
Petty cash	400
	<hr/>
TOTAL DEPOSITS	\$ 3,591,251

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. As of December 31, 2006, the carrying amount of the City's deposits with financial institutions was \$3,591,251 and the bank balance was \$3,112,184. The bank balance is categorized as follows:



**NOTE C – CASH AND EQUIVALENTS (Continued):**

Amount insured by the FDIC	\$210,474
Amount uninsured and collateralized with securities held by the pledging financial institutions trust department not in the City's name	128,386
Amount uninsured and uncollateralized	2,773,324
<b>TOTAL</b>	<b>\$ 3,112,184</b>

**NOTE D – INVESTMENTS:**

As of December 31, 2006, the City had the following investments.

	Investment in Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
<b>PRIMARY GOVERNMENT:</b>					
Time Deposits	\$311,855	\$60,712	\$ 221,143	\$ 30,000	\$ -
U.S. Government Agencies	280,024	-	15,000	89,024	176,000
Tennessee Valley Authority Notes	40,000	-	-	40,000	-
U.S. Treasury Bonds	224,245	-	-	224,245	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 856,124</b>	<b>\$ 60,712</b>	<b>\$236,143</b>	<b>\$ 383,269</b>	<b>\$176,000</b>
<b>FIDUCIARY FUNDS:</b>					
Domestic Corporation Bonds	\$ 610,372	\$ 201,852	\$ 408,520	\$ -	\$-
U.S. Government Agencies	162,779	-	162,779	-	-
U.S. Treasury Notes	458,564	-	116,219	342,345	-
Mutual Equity Funds	1,856,379	1,856,379	-	-	-
Mutual Equity Index Funds	1,660,921	1,660,921	-	-	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 4,749,015</b>	<b>\$ 3,719,152</b>	<b>\$ 687,518</b>	<b>\$ 342,345</b>	<b>\$-</b>

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statute (Act 314, PA 1965, as amended) authorizes the pension trust to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds.

**NOTE D – INVESTMENTS (Continued):**

The City has no investment policy that would further limit its investment choices. The City's investments in Tennessee Valley Authority Notes are rated AAA by Moody's and AAA by Standard & Poor's. Ratings are not required for the City's investment in U.S. Government Agencies or equity-type funds. The City's investments are in accordance with statutory authority.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in any one issuer. There were no investments subject to concentration credit risk disclosure.

**NOTE E – INTERFUND RECEIVABLES AND PAYABLES:**

A summary of the interfund receivables and payables at December 31, 2006 is as follows:

Fund	Receivable	Fund	Payable
General Fund	\$683,278	Building Authority	\$ 276,491
		Trust and Agency	385
		Current Tax Collection	148,232
		England Library	70
		Revolving Loan	2,019
		TIF District	210,397
		Perpetual Care	40,287
		Cemetery Care	5,397
Subtotal	683,278	Subtotal	683,278
TIF	273,672	General Fund	35,934
		Downtown Development Authority	222,738
		Revolving Loan	15,000
Subtotal	273,672	Subtotal	273,672
Garbage & Rubbish	196,402	General Fund	608,762
Revolving Loan	19,510		
Public Improvement	326,443		
Cemetery Care	660		
Pension Trust	65,747		
Subtotal	608,762	Subtotal	608,762
Garbage & Rubbish	3,599	Revolving Loan	3,599
Building Authority	230,841	Public Improvement	230,841
Public Improvement	4,080	TIF District	4,080
Subtotal	238,520	Subtotal	238,520
TOTALS	\$ 1,804,232	TOTALS	\$ 1,804,232

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE F – CAPITAL ASSETS:**

A summary of the changes in governmental activities capital assets for the year ended December 31, 2006 is as follows:

## NOTE F – CAPITAL ASSETS (Continued):

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$1,072,218	\$ 23,023	\$ -	\$1,095,241
Historical Treasurers	13,925	-	-	13,925
Construction-in-progress	97,182	219,122	76,286	240,018
Capital assets being depreciated:				
Buildings and improvements	9,507,872	119,699	-	9,627,571
Equipment and vehicles	4,421,382	132,122	26,933	4,526,571
Infrastructure	515,524	32,194	-	547,718
Total Capital Assets	\$15,628,103	\$526,160	\$103,219	\$16,051,044
Less accumulated depreciation:				
Buildings and improvements	\$7,272,747	\$76,179	\$ -	\$7,348,926
Equipment and vehicles	3,135,236	272,933	26,933	3,318,236
Infrastructure	15,588	19,151	-	34,739
Total Accumulated Depreciation	10,423,571	368,263	26,933	10,764,901
CAPITAL ASSETS, NET	\$5,204,532	\$157,897	\$76,286	\$5,286,143

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Safety	\$60,143
Public Works	211,375
Recreation and Culture	46,250
Unallocated	50,495
Total Depreciation Expense- Governmental Activities	\$368,263

A summary of changes in business-type activities capital assets as of December 31, 2006 is as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$10,888	\$-	\$-	\$10,888
Construction in Progress	57,028	-	57,028	-
Capital assets being depreciated:				
Sewer system and equipment	14,166,469	-	-	14,166,469
Water plant and equipment	3,400,155	204,805	-	3,604,960
Ambulance equipment	267,420	-	-	267,420
Total Capital Assets	17,901,960	204,805	57,028	18,049,737
Less accumulated depreciation:				
Sewer system and equipment	6,190,410	351,908	-	6,542,318
Water plant and equipment	1,799,220	81,588	-	1,880,808
Ambulance equipment	242,726	11,397	-	254,123
Total Accumulated Depreciation	8,232,356	444,893	-	8,677,249
CAPITAL ASSETS, NET	\$9,669,604	\$(240,088)	\$57,028	\$9,372,488

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

**NOTE F – CAPITAL ASSETS (Continued):**

Business-type Activities:	
Sewer system	\$351,908
Water system	81,588
Ambulance equipment	11,397
Total Depreciation Expense-	
Business-type Activities	<u>\$444,893</u>

**NOTE G – ACCUMULATED UNPAID VACATION AND SICK LEAVE:**

The City accrues the liability for earned sick leave using the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year (except the Fire Fighters Union employees who get six twenty-four hour shifts). Upon termination in good standing, retirement, death, or disability, employees or their estates, shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows:

**ACCRUED SICK AND VACATION:**

General Fund	\$6,168
Garbage & Rubbish	-
Water	34,019
Governmental Activities – Long-Term Portion	306,868
TOTAL	<u>\$347,055</u>

**NOTE H – DEFERRED REVENUES:**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Taxes that were levied on December 1, 2006 have been recorded as deferred revenue for the following funds:

General Fund	\$1,042,971
Public Improvement Fund	347,654
Garbage and Rubbish Fund	208,590
Policemen & Firemen Retirement System	69,525
TOTAL	<u>\$1,668,739</u>

**NOTE I – LONG -TERM DEBT:**

A summary of long-term obligations at December 31, 2006 and transactions related thereto for the year then ended is as follows:

# NOTE I – LONG -TERM DEBT (Continued):

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
<b>GOVERNMENTAL ACTIVITIES:</b>				
Limited Tax General Obligation Building Authority Bonds, Series 2000. Payable semi-annually including interest of 5.125% per annum.	\$844,000	\$-	\$17,000	\$827,000
Michigan Transportation Fund Bonds, Series 2003. Payable semi-annually including interest of 4.25%.	452,000	-	43,000	409,000
Installment payable for Brownfield revitalization. Payable annually beginning May 10, 2004 including interest of 2.25%. Secured by property.	63,953	-	63,953	-
Limited Tax General Obligation Building Authority Bonds, Series 2002. Payable semi-annually, including interest of 4.75% per annum.	86,000	-	2,000	84,000
Installment payable for purchase of fire truck. Payable annually beginning January 1, 2006 including interest of 4.375%, secured by equipment.	265,000	-	15,000	250,000
Installment payable for purchase of Public Works equipment. Payable annually including interest of 4.75% per annum. Secured by equipment.	495,000	-	45,000	450,000
<b>SUBTOTAL</b>	<b>2,205,953</b>	<b>8,726</b>	<b>185,953</b>	<b>2,020,000</b>
Accrued compensated absences	298,142	8,726	-	306,868
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,504,095</b>	<b>8,726</b>	<b>185,953</b>	<b>2,326,868</b>
<b>DOWNTOWN DEVELOPMENT AUTHORITY</b>				
<b>COMPONENT UNIT:</b>				
General Obligation Limited Tax Development Refunding Bonds, 2004 series. Payable semi-annually including interest of 3.00% to 3.9% per annum.	970,000	-	90,000	880,000
<b>TOTAL COMPONENT UNIT</b>	<b>970,000</b>	<b>-</b>	<b>90,000</b>	<b>880,000</b>
<b>TOTAL REPORTING ENTITY</b>	<b>\$3,474,095</b>	<b>\$8,726</b>	<b>\$275,953</b>	<b>\$3,206,868</b>

The annual principal and interest requirements for the years ending December 31, 2006 and thereafter, excluding accrued compensated absences, are as follows:

	Governmental Activities		DDA Component Unit		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	125,000	95,948	100,000	28,312	225,000	124,260
2008	133,000	90,253	105,000	25,237	238,000	115,490
2009	136,000	84,074	120,000	21,787	256,000	105,861
2010	144,000	77,813	125,000	17,849	269,000	95,662
2011	152,000	71,181	130,000	13,511	282,000	84,692
2012-2016	595,000	249,613	300,000	14,468	895,000	264,081
2017-2021	257,000	152,555	-	-	257,000	152,555
2022-2026	234,000	93,358	-	-	234,000	93,358
2027-2031	239,000	27,433	-	-	239,000	27,433
2032	5,000	238	-	-	5,000	238
<b>Totals</b>	<b>\$2,020,000</b>	<b>\$942,466</b>	<b>\$880,000</b>	<b>\$121,164</b>	<b>\$2,900,000</b>	<b>\$1,063,630</b>

Note: The City is within its legal debt margin as of December 31, 2006.

**NOTE J – FUND EQUITY RESERVES AND DESIGNATIONS:**

The Garbage & Rubbish Fund has a \$28,878 reserved for payment of the City's 2007 principal portion of the bonds related to its membership in the Marquette County Landfill.

The Permanent Funds have reserved fund balance of \$870,787 for Cemetery Trusts as noted in the City Charter.

**NOTE K – LONG-TERM RECEIVABLES:**

Loans made to individual businesses in the City by the Revolving Loan Fund are recorded as long-term receivables. The total outstanding amount of loans issued as of December 31, 2006 was \$309,144.

**NOTE L – PROPERTY TAXES:**

The City of Ishpeming levied 13.3511 mills for the General Fund, 2.6702 mills for the Garbage and Rubbish Fund, 4.4503 mills for the Public Improvement Fund and 0.8900 mills for the Firemen and Policemen Retirement Fund for calendar year 2005. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$78,784,370.

**NOTE M – OTHER FINANCING SOURCES AND USES:**

The transfers between funds for the year ended December 31, 2006 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ 265,684	Sewer	\$ 60,000
		Garbage & Rubbish	50,000
		Water	110,000
		Perpetual Care	40,287
		Cemetery Care	5,397
Subtotal	<u>265,684</u>	Subtotal	<u>265,684</u>
Local Street	312,580	Public Improvement	202,580
		Major Street	10,000
		General	100,000
Subtotal	<u>312,580</u>	Subtotal	<u>312,580</u>
TIF	237,738	Revolving Loan	15,000
		Downtown Development Authority	222,738
Subtotal	<u>237,738</u>	Subtotal	<u>237,738</u>
Ambulance	35,000	Public Improvement	102,000
Building Authority	67,000		
Subtotal	<u>102,000</u>	Subtotal	<u>102,000</u>
TOTAL	<u>\$ 918,002</u>	TOTAL	<u>\$ 918,002</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

## NOTE N – DEFINED BENEFIT PENSION PLAN:

### DEFINED BENEFIT PENSION PLANS

*Plan Description* - The City participates in the Michigan Municipal Employees Retirement System, and agent multiple-employer defined benefit pension plan that covers all employees of the City except for the Policemen and Firemen. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

*Funding Policy* - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5.35% of gross wages for the Clerical Employees' unit and DPW Employees' unit, 9.70% of gross wages for the Supervisory Employees' unit, and 7.51% of gross wages for non-union employees.

*Annual Pension Cost* - For year ended December 31, 2005 the City's annual pension cost of \$178,654 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	2003	2004	2005
Annual Pension Cost	\$178,864	\$184,915	\$178,654
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	6,506,065	6,885,453	7,115,352
Actuarial Accrued Liability (Entry Age)	8,348,589	9,167,819	9,752,385
Unfunded AAL	1,842,524	2,282,366	2,637,033
Funded ratio	78%	75%	73%
Covered Payroll	1,460,004	1,363,411	1,144,166
UAAL as a Percentage of Covered Payroll	126%	167%	230%

### DEFINED BENEFIT PENSION PLAN - POLICEMEN AND FIREMEN

The City of Ishpeming is the administrator of a single-employer public employee retirement system that covers all Police and Fire Department employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

*Funding Policy* - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5% of gross wages.

*Annual Pension Cost* - For year ended December 31, 2005 the City's annual pension cost of \$103,643 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.0 investment rate of return, and (b) projected salary increases of 5.5 percent per year, and (c) 0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5.5% - 9.3%. The actuarial value of assets was determined using techniques that smooth the

**NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):**

effects of short term volatility over a five year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 11 years.

	2003	2004	2005
Annual Pension Cost	\$106,478	\$106,478	\$103,643
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	5,316,108	5,395,745	5,476,760
Actuarial Accrued Liability (Entry Age)	5,045,974	5,318,589	5,734,681
Unfunded AAL	270,135	77,156	(257,921)
Funded ratio	105%	101%	96%
Covered Payroll	753,650	770,263	765,143
UAAL as a Percentage of Covered Payroll	-%	-%	34%

*Concentration of Investments* - The fair value of individual investments that represent 5.0% or more of the Plan's net assets are as follows:

Turner Small Cap Equity Fund Class I– 28,396.958 Units	\$474,797
Wells Fargo Large Cap Value Fund– 118,047.029 Units	\$1,660,922
Wells Fargo Advantage Capital Growth Fund– 78,055.481 Units	\$1,318,582

**NOTE O – DEFERRED COMPENSATION PLAN:**

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all City employees, and it permits them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. However, the Plan continues to be presented in these financial statements, as the City retains a fiduciary duty of care over the Plan. In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The plan is administered by the Nationwide Retirement Solutions (formerly known as PEBSCO). Nationwide Retirement Solutions, as plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide Retirement Solutions or its agents' failure to perform their duties and services pursuant to the Nationwide Retirement Solutions program.

**NOTE P – OTHER POST-EMPLOYMENT BENEFITS:**

The City provides post-employment health benefits to eligible retirees, terminated employees and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility is defined in the Employer Participation Agreement for the Post-Employment Health Plan for Public Employees. The plan is administered by Nationwide Retirement Solutions. During 2006, expenses of \$33,110 were recognized for post-employment



## **NOTE P – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

health benefits. Expenses for post-retirement health care benefits are recognized as employer contributions are made to the Plan.

## **NOTE Q – JOINT VENTURE:**

### Ishpeming Area Joint Wastewater Treatment Board

The City of Ishpeming and the Township of Ishpeming entered into an agreement on December 10, 1981 for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board (Board). The Board shall design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the wastewater treatment plant, but shall instead be reimbursed by contract payments from the City and Township. The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties and the like from their respective residents and users of the system.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2006, is as follows:

Assets	\$6,865,687
Liabilities	164,551
Equity - All local units	6,701,136
Operating Revenues	674,925
Operating Expenses	841,584
Other Income	70,580
Net Income (loss)	(96,079)
City's Share of Net Income (loss)	(64,371)

### Marquette County Solid Waste Management Authority

In February 1990, the City of Ishpeming joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The City's share of assets, liabilities, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2006 is as follows:

**NOTE Q – JOINT VENTURE (Continued):**

Total Assets	\$ 13,505,304
Total Liabilities	2,135,432
Total Net Assets	11,369,872
Total Operating Revenues	2,368,781
Total Operating Expenses	2,625,815
Total Joint Venture's Outstanding Debt	740,000

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

**Negaunee - Ishpeming Water Authority Board**

The City of Ishpeming and the City of Negaunee entered into an intergovernmental agreement dated January 7, 1988, and amended on July 31, 1991, for the purpose of creating the Negaunee-Ishpeming Water Authority Board (Board), a corporate public body. The Board is to design, construct, own, operate and maintain a joint municipal water supply system and related facility.

As part of the agreement, the City paid 50% of the preliminary engineering, design engineering, and bidding costs, and 60% of the capital costs. As of December 31, 2006, the City's equity in the Joint Water Authority Board equals \$3,507,323.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract the City of Negaunee is obligated to pay \$2,860,000 over the next 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%. The City of Ishpeming has fulfilled its obligation as of December 31, 2004.

The total cost of construction of the project was approximately \$7,000,000.

**NOTE R – CONTINGENT LIABILITIES:**

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

**NOTE R – CONTINGENT LIABILITIES (Continued):**

Grant Assistance - The City has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City.

**NOTE S – EXPENDITURES OVER APPROPRIATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

The approved budgets of the City for the General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended December 31, 2006, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Final Amended Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General:			
Public Safety	\$ 632,648	\$ 645,825	\$(13,177)

**NOTE T – TAX TRIBUNAL:**

The City's tax revenue was reported at a lower amount in 2006 due to a consent judgment issued by the Michigan Tax Tribunal in favor of the following three companies: Upper Peninsula Power Company, American Transmission Company, and SEMCO Energy Gas Company. Taxable values for the three companies were adjusted resulting in a tax refund. The City's portion of the tax adjustments totaled \$154,332.

## Required Supplementary Information

City of Ishpeming, Michigan  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,196,000	\$ 1,216,000	\$ 1,135,188	\$ (80,812)
State sources	1,010,200	999,700	991,267	(8,433)
Local sources	25,700	27,000	26,347	(653)
Licenses and permits	50,400	61,900	56,453	(5,447)
Charges for services	80,160	79,400	97,230	17,830
Interest income and rentals	263,000	269,400	297,048	27,648
Contributions	3,000	5,000	5,174	174
Fines and forfeitures	50,500	72,500	66,517	(5,983)
Other revenues	21,000	16,000	15,279	(721)
<b>TOTAL REVENUES</b>	<b>2,699,960</b>	<b>2,746,900</b>	<b>2,690,503</b>	<b>(56,397)</b>
<b>EXPENDITURES:</b>				
Current operations:				
Legislative	20,000	20,000	17,163	2,837
General government	1,359,700	1,433,700	1,350,465	83,235
Public safety	541,778	632,648	645,825	(13,177)
Public works	625,900	625,500	576,000	49,500
Recreation and culture	235,800	250,470	245,686	4,784
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,783,178</b>	<b>2,962,318</b>	<b>2,835,139</b>	<b>127,179</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(83,218)</b>	<b>(215,418)</b>	<b>(144,636)</b>	<b>70,782</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	220,500	351,300	265,684	(85,616)
Transfers (out)	(100,000)	(100,000)	(100,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>120,500</b>	<b>251,300</b>	<b>165,684</b>	<b>(85,616)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>37,282</b>	<b>35,882</b>	<b>21,048</b>	<b>(14,834)</b>
Fund balance, beginning of year	58,842	58,842	58,842	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 96,124</b>	<b>\$ 94,724</b>	<b>\$ 79,890</b>	<b>\$ (14,834)</b>

**City of Ishpeming, Michigan**  
Major Special Revenue Funds  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2006

	MAJOR STREET FUND					LOCAL STREET FUND				
	Budgeted Amounts		Actual		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual		Variance with Final Budget Positive (Negative)
	Original	Final	GAAP	Basis		Original	Final	GAAP	Basis	
<b>REVENUES:</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	-
Federal sources	-	-	-	-	-	-	-	-	-	-
State sources	450,000	498,000	455,009	-	(42,991)	423,000	221,200	224,558	-	3,358
Interest income and rentals	-	1,000	2,998	-	1,998	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	18,150	-	18,150	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>450,000</b>	<b>499,000</b>	<b>476,157</b>		<b>(22,843)</b>	<b>423,000</b>	<b>221,200</b>	<b>224,558</b>		<b>3,358</b>
<b>EXPENDITURES:</b>										
Current operations:										
Public works	413,900	500,500	352,271	-	148,229	645,000	593,000	528,428	-	64,572
Other governmental	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	6,000	6,000	9,028	-	(3,028)	6,000	6,000	6,020	-	(20)
Interest and fiscal charges	20,000	20,000	20,210	-	(210)	2,000	2,000	2,690	-	(690)
Capital outlay	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>439,900</b>	<b>526,500</b>	<b>381,509</b>		<b>144,991</b>	<b>653,000</b>	<b>601,000</b>	<b>537,138</b>		<b>63,862</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,100</b>	<b>(27,500)</b>	<b>94,648</b>		<b>122,148</b>	<b>(230,000)</b>	<b>(379,800)</b>	<b>(312,580)</b>		<b>67,220</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	122,000	-	-	-	-	210,000	410,000	312,580	-	(97,420)
Transfers (out)	(10,000)	(10,000)	(10,000)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>112,000</b>	<b>(10,000)</b>	<b>(10,000)</b>		<b>-</b>	<b>210,000</b>	<b>410,000</b>	<b>312,580</b>		<b>(97,420)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>122,100</b>	<b>(37,500)</b>	<b>84,648</b>		<b>122,148</b>	<b>(20,000)</b>	<b>30,200</b>	<b>-</b>		<b>(30,200)</b>
Fund balance, beginning of year	44,585	44,585	44,585	-	-	-	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 166,685</b>	<b>\$ 7,085</b>	<b>\$ 129,233</b>		<b>\$ 122,148</b>	<b>\$ (20,000)</b>	<b>\$ 30,200</b>	<b>\$ -</b>		<b>\$ (30,200)</b>

**City of Ishpeming, Michigan**  
**Major Special Revenue Funds**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2006**

	PUBLIC IMPROVEMENT FUND					REVOLVING LOAN FUND				
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)		Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
	Original	Final				Original	Final			
<b>REVENUES:</b>										
Taxes	\$ 325,400	\$ 326,300	\$ 301,353	\$ (24,947)	\$ (24,947)	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	25,000	-	(25,000)	(25,000)	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Interest income and rentals	3,500	3,500	12,308	8,808	8,808	10,000	10,000	12,180	2,180	2,180
Contributions	110,000	110,000	110,000	-	-	-	-	-	-	-
Other revenue	130,000	150,000	124,106	(25,894)	(25,894)	-	-	8,270	8,270	8,270
<b>TOTAL REVENUES</b>	<b>568,900</b>	<b>614,800</b>	<b>547,767</b>	<b>(67,033)</b>	<b>(67,033)</b>	<b>10,000</b>	<b>10,000</b>	<b>20,450</b>	<b>10,450</b>	<b>10,450</b>
<b>EXPENDITURES:</b>										
Current operations:										
Public works	-	-	-	-	-	-	-	-	-	-
Other governmental	-	-	-	-	-	-	130,000	944	129,056	129,056
Debt service:										
Principal	52,300	109,000	123,953	(14,953)	(14,953)	-	-	-	-	-
Interest and fiscal charges	26,700	42,600	36,647	5,953	5,953	-	-	-	-	-
Capital outlay	369,245	360,325	263,161	97,164	97,164	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>448,245</b>	<b>511,925</b>	<b>423,761</b>	<b>88,164</b>	<b>88,164</b>	<b>-</b>	<b>130,000</b>	<b>944</b>	<b>129,056</b>	<b>129,056</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>120,655</b>	<b>102,875</b>	<b>124,006</b>	<b>21,131</b>	<b>21,131</b>	<b>10,000</b>	<b>(120,000)</b>	<b>19,506</b>	<b>139,506</b>	<b>139,506</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers (out)	(312,000)	(367,000)	(304,580)	62,420	62,420	(65,000)	(65,000)	(15,000)	50,000	50,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(312,000)</b>	<b>(367,000)</b>	<b>(304,580)</b>	<b>62,420</b>	<b>62,420</b>	<b>(65,000)</b>	<b>(65,000)</b>	<b>(15,000)</b>	<b>50,000</b>	<b>50,000</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(191,345)</b>	<b>(264,125)</b>	<b>(180,574)</b>	<b>83,551</b>	<b>83,551</b>	<b>(55,000)</b>	<b>(185,000)</b>	<b>4,506</b>	<b>189,506</b>	<b>189,506</b>
Fund balance, beginning of year	409,486	409,486	409,486	-	-	529,062	529,062	529,062	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 218,141</b>	<b>\$ 145,361</b>	<b>\$ 228,912</b>	<b>\$ 83,551</b>	<b>\$ 83,551</b>	<b>\$ 474,062</b>	<b>\$ 344,062</b>	<b>\$ 533,568</b>	<b>\$ 189,506</b>	<b>\$ 189,506</b>

## OTHER FINANCIAL INFORMATION



City of Ishpeming, Michigan

MAJOR GOVERNMENTAL FUNDS

**GENERAL FUND**

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Legislative, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

**SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREET FUND, LOCAL STREET FUND, PUBLIC IMPROVEMENT FUND and REVOLVING LOAN FUND are Major Special Revenue Fund types.

**City of Ishpeming**  
**General Fund**  
**Balance Sheet**  
**December 31, 2006**  
**With Comparative Actual Amounts at December 31, 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Cash and equivalents	\$ 18,662	\$ -
Investments	15,000	15,000
Accounts receivable	379,567	382,517
Taxes receivable	820,247	568,371
Due from others	37,472	37,532
Due from other funds	683,278	1,196,876
Prepaid expenses	<u>28,841</u>	<u>88,723</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,983,067</u></b>	<b>\$ <u>2,289,019</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Cash Overdraft	\$ -	\$ 866,585
Accounts payable	132,370	68,126
Accrued payroll	71,543	95,866
Accrued sick and vacation	6,168	5,338
Accrued liabilities	5,429	6,643
Due to other funds	644,696	213,288
Deferred revenue	<u>1,042,971</u>	<u>974,331</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,903,177</u></b>	<b><u>2,230,177</u></b>
 <b>FUND BALANCE:</b>		
Unreserved	<u>79,890</u>	<u>58,842</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>1,983,067</u></b>	<b>\$ <u>2,289,019</u></b>

**City of Ishpeming**  
**General Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with	
	Final		Final Budget	2005
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
<b>REVENUES:</b>				
Taxes	\$ 1,216,000	\$ 1,135,188	\$ (80,812)	\$ 1,186,379
State sources	999,700	991,267	(8,433)	998,034
Local sources	27,000	26,347	(653)	23,695
Licenses and permits	61,900	56,453	(5,447)	63,741
Charges for services	79,400	97,230	17,830	80,470
Interest & rentals	269,400	297,048	27,648	264,553
Contributions	5,000	5,174	174	5,174
Fines and forfeitures	72,500	66,517	(5,983)	68,949
Other revenue	16,000	15,279	(721)	39,017
<b>TOTAL REVENUES</b>	<b>2,746,900</b>	<b>2,690,503</b>	<b>(56,397)</b>	<b>2,730,012</b>
<b>EXPENDITURES:</b>				
Legislative:				
City council	20,000	17,163	2,837	18,602
General Government:				
City manager	122,500	113,927	8,573	92,820
Elections	14,000	12,287	1,713	1,273
City assessor	53,200	51,344	1,856	50,070
City attorney	45,600	30,738	14,862	38,594
City clerk	39,800	38,801	999	41,510
Board of review	1,400	1,227	173	1,100
City treasurer	50,050	49,043	1,007	45,049
City hall and grounds	45,750	37,904	7,846	40,650
Cemetery	134,700	141,815	(7,115)	131,518
Non-departmental:				
Employee benefits	747,700	741,743	5,957	755,278
Insurance & bonds	100,000	75,701	24,299	95,894
Other services & charges	79,000	55,935	23,065	56,037
<b>Total General Government</b>	<b>1,433,700</b>	<b>1,350,465</b>	<b>83,235</b>	<b>1,349,793</b>
Public safety:				
Police	559,288	559,990	(702)	561,615
Fire	71,560	84,105	(12,545)	131,867
Planning commission	1,000	1,010	(10)	958
Zoning board of appeals	800	720	80	1,358
<b>Total Public Safety</b>	<b>632,648</b>	<b>645,825</b>	<b>(13,177)</b>	<b>695,798</b>

**City of Ishpeming**  
**General Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with	
	Final		Final Budget	
	Amended		Positive	2005
	Budget	Actual	(Negative)	Actual
EXPENDITURES (continued):				
Public Works:				
Administration	\$ 253,900	\$ 210,712	\$ 43,188	\$ 203,271
Equipment maintenance	185,000	194,871	(9,871)	194,514
Alleys and sidewalks	36,000	33,810	2,190	25,529
Street trees	6,900	7,182	(282)	6,618
City engineer	43,700	23,325	20,375	50,826
Street lighting	100,000	106,100	(6,100)	100,899
Total Public Works	625,500	576,000	49,500	581,657
Recreation and Culture:				
Administration	4,400	4,286	114	3,639
Playlots	3,500	3,470	30	3,184
Al quaal	80,100	73,525	6,575	78,500
Playground maintenance	52,630	48,538	4,092	62,389
Library	109,840	115,867	(6,027)	110,684
Total Recreation and Culture	250,470	245,686	4,784	258,396
TOTAL EXPENDITURES	2,962,318	2,835,139	127,179	2,904,246
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(215,418)	(144,636)	70,782	(174,234)
OTHER FINANCING SOURCES (USES):				
Transfers in	351,300	265,684	(85,616)	194,635
Transfers (out)	(100,000)	(100,000)	-	(120,195)
TOTAL OTHER FINANCING SOURCES (USES)	251,300	165,684	(85,616)	74,440
CHANGE IN FUND BALANCE	35,882	21,048	(14,834)	(99,794)
Fund balance, beginning of year	58,842	58,842	-	158,636
FUND BALANCE, END OF YEAR	\$ 94,724	\$ 79,890	\$ 14,834	\$ 58,842

**City of Ishpeming**  
**Major Streets Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	<u>2006</u>		Variance with	
	Final		Final Budget	2005
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
<b>REVENUES:</b>				
State sources	498,000	455,009	(42,991)	430,025
Interest and rentals	1,000	2,998	1,998	874
Other revenue	-	18,150	18,150	-
<b>TOTAL REVENUES</b>	<b>499,000</b>	<b>476,157</b>	<b>(22,843)</b>	<b>430,899</b>
<b>EXPENDITURES:</b>				
Construction	74,600	17,909	56,691	89
Routine maintenance	50,000	34,197	15,803	60,775
Traffic service	13,800	12,330	1,470	8,349
Winter maintenance	230,000	195,592	34,408	234,982
Administration	84,100	62,462	21,638	77,054
State trunkline maintenance	48,000	29,781	18,219	36,409
Debt service:				
Principal	20,000	20,210	(210)	19,270
Interest	6,000	9,028	(3,028)	4,924
<b>TOTAL EXPENDITURES</b>	<b>526,500</b>	<b>381,509</b>	<b>144,991</b>	<b>441,852</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(27,500)</b>	<b>94,648</b>	<b>122,148</b>	<b>(10,953)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	(10,000)	(10,000)	-	-
<b>CHANGE IN FUND BALANCE</b>	<b>(37,500)</b>	<b>84,648</b>	<b>122,148</b>	<b>(10,953)</b>
Fund balance, beginning of year	44,585	44,585	-	55,538
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 7,085</b>	<b>\$ 129,233</b>	<b>\$ (122,148)</b>	<b>\$ 44,585</b>

**City of Ishpeming**  
**Local Street Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with	
	Final		Final Budget	2005
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
<b>REVENUES:</b>				
State sources	\$ 221,200	\$ 224,558	\$ 3,358	\$ 209,606
<b>TOTAL REVENUES</b>	<b>221,200</b>	<b>224,558</b>	<b>3,358</b>	<b>209,606</b>
<b>EXPENDITURES:</b>				
Construction	200,000	201,214	(1,214)	6,698
Routine maintenance	78,000	44,147	33,853	33,505
Traffic service	24,000	22,893	1,107	9,101
Winter maintenance	207,000	198,750	8,250	213,366
Administration	76,000	61,424	14,576	59,924
Debt service:				
Principal	6,000	6,020	(20)	5,740
Interest	2,000	2,690	(690)	1,467
<b>TOTAL EXPENDITURES</b>	<b>593,000</b>	<b>537,138</b>	<b>55,862</b>	<b>329,801</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(371,800)</b>	<b>(312,580)</b>	<b>59,220</b>	<b>(120,195)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	410,000	312,580	(97,420)	120,195
<b>CHANGE IN FUND BALANCE</b>	<b>38,200</b>	<b>-</b>	<b>(38,200)</b>	<b>-</b>
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 38,200</b>	<b>\$ -</b>	<b>\$ 38,200</b>	<b>\$ -</b>

**City of Ishpeming**  
**Public Improvement Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with	
	Final		Final Budget	
	Amended		Positive	2005
	Budget	Actual	(Negative)	Actual
<b>REVENUES:</b>				
Taxes	\$ 326,300	\$ 301,353	\$ (24,947)	\$ 325,546
Federal sources	25,000	-	(25,000)	202,845
Interest and rentals	3,500	12,308	8,808	7,926
Contributions	110,000	110,000	-	88,925
Other revenue	153,600	124,106	(29,494)	141,334
<b>TOTAL REVENUES</b>	<b>618,400</b>	<b>547,767</b>	<b>(70,633)</b>	<b>766,576</b>
<b>EXPENDITURES:</b>				
Capital Outlay:				
City manager	-	-	-	595
City assessor	1,300	-	1,300	4,495
City hall & grounds	43,500	43,413	87	69,086
Cemetery	10,800	5,621	5,179	43,088
Police	47,500	3,127	44,373	59,034
Fire	77,500	43,221	34,279	25,236
Public works	139,000	137,033	1,967	378,555
Parks	6,500	3,476	3,024	12,308
Playlots	-	-	-	700
Al Quaal	2,840	2,712	128	-
Library	23,385	22,723	662	36,354
Contracted services	8,000	1,835	6,165	3,083
<b>Total Capital Outlay</b>	<b>360,325</b>	<b>263,161</b>	<b>97,164</b>	<b>632,534</b>
Debt Service:				
Principal	109,000	123,953	(14,953)	67,223
Interest	42,600	36,647	5,953	48,229
<b>TOTAL EXPENDITURES</b>	<b>511,925</b>	<b>423,761</b>	<b>88,164</b>	<b>747,986</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>106,475</b>	<b>124,006</b>	<b>17,531</b>	<b>18,590</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	(367,000)	(304,580)	62,420	(90,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(367,000)</b>	<b>(304,580)</b>	<b>(62,420)</b>	<b>(90,000)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(260,525)</b>	<b>(180,574)</b>	<b>(79,951)</b>	<b>(71,410)</b>
Fund balance, beginning of year	409,486	409,486	-	480,896
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 148,961</b>	<b>\$ 228,912</b>	<b>\$ (79,951)</b>	<b>\$ 409,486</b>

City of Ishpeming  
Revolving Loan Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with	2005
	Final Amended Budget	Actual	Final Budget Positive (Negative)	Actual
REVENUES:				
Interest and rentals	\$ 10,000	\$ 12,180	\$ 2,180	\$ 11,510
Other revenue	-	8,270	8,270	33,200
TOTAL REVENUES	10,000	20,450	10,450	44,710
EXPENDITURES:				
Other governmental	130,000	944	129,056	19
TOTAL EXPENDITURES	130,000	944	129,056	19
REVENUES OVER (UNDER) EXPENDITURES	(120,000)	19,506	139,506	44,691
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(65,000)	(15,000)	50,000	-
CHANGE IN FUND BALANCE	(185,000)	4,506	(189,506)	44,691
Fund balance, beginning of year	529,062	529,062	-	484,371
FUND BALANCE, END OF YEAR	\$ 344,062	\$ 533,568	\$ (189,506)	\$ 529,062



NONMAJOR GOVERNMENTAL FUNDS

**SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The D.A.R.E. FUND, LIBRARY STATE AID FUND, AL QUAAL FUND, TIF FUND, GARBAGE & RUBBISH FUND, and BUILDING AUTHORITY FUND, are Nonmajor Special Revenue Fund types.

**PERMANENT FUNDS**

The function of the Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The PERPETUAL CARE FUND and CEMETERY CARE FUND are Permanent Fund types.

City of Ishpeming, Michigan  
Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2006

	Special Revenue Funds	Permanent Funds			Total Nonmajor Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	Total	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 244,417	\$ 63,962	\$ 24,887	\$ 88,849	\$ 333,266
Investments	14,211	727,438	99,475	826,913	841,124
Accounts receivable, net	56,429	-	-	-	56,429
Taxes receivable	208,590	-	-	-	208,590
Due from other governments	222,738	-	-	-	222,738
Due from other funds	481,776	-	660	660	482,436
Notes receivable	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,228,161</b>	<b>\$ 791,400</b>	<b>\$ 125,022</b>	<b>\$ 916,422</b>	<b>\$ 2,144,583</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Cash overdrafts	\$ 73,806	\$ -	\$ -	\$ -	\$ 73,806
Accounts payable	38,845	-	-	-	38,845
Accrued payroll	1,944	-	-	-	1,944
Accrued sick and vacation	-	-	-	-	-
Due to other funds	490,968	40,287	5,397	45,684	536,652
Deferred revenue	208,590	-	-	-	208,590
<b>TOTAL LIABILITIES</b>	<b>814,153</b>	<b>40,287</b>	<b>5,397</b>	<b>45,684</b>	<b>859,837</b>
<b>FUND BALANCE:</b>					
Reserved for:					
Cemetery Trust	-	751,113	119,625	870,738	870,738
Special Projects	28,878	-	-	-	28,878
Unreserved, reported in:					
Special revenue funds	385,130	-	-	-	385,130
<b>TOTAL FUND BALANCE</b>	<b>414,008</b>	<b>751,113</b>	<b>119,625</b>	<b>870,738</b>	<b>1,284,746</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,228,161</b>	<b>\$ 791,400</b>	<b>\$ 125,022</b>	<b>\$ 916,422</b>	<b>\$ 2,144,583</b>

**City of Ishpeming, Michigan**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2006**

	Special Revenue Funds	Permanent Funds			Total Nonmajor Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	Total	
<b>REVENUES:</b>					
Taxes	\$ 180,815	\$ -	\$ -	\$ -	\$ 180,815
Federal sources	31,992	-	-	-	31,992
State sources	10,032	-	-	-	10,032
Charges for services	236,819	25,160	8,210	33,370	270,189
Interest income and rentals	6,005	40,287	5,397	45,684	51,689
Contributions	6,640	-	-	-	6,640
Fines and forfeitures	-	-	-	-	-
Other revenues	21,913	-	-	-	21,913
<b>TOTAL REVENUES</b>	<b>494,216</b>	<b>65,447</b>	<b>13,607</b>	<b>79,054</b>	<b>573,270</b>
<b>EXPENDITURES:</b>					
Current operations:					
Public safety	-	-	-	-	-
Public works	354,261	-	-	-	354,261
Recreation and culture	14,377	-	-	-	14,377
Other governmental	198,476	50	-	50	198,526
Debt service:					
Principal	35,770	-	-	-	35,770
Interest and fiscal charges	54,396	-	-	-	54,396
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>657,280</b>	<b>50</b>	<b>-</b>	<b>50</b>	<b>657,330</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(163,064)</b>	<b>65,397</b>	<b>13,607</b>	<b>79,004</b>	<b>(84,060)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Investment in landfill	-	-	-	-	-
Transfers in	304,738	-	-	-	304,738
Transfers (out)	(50,000)	(40,287)	(5,397)	(45,684)	(95,684)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>254,738</b>	<b>(40,287)</b>	<b>(5,397)</b>	<b>(45,684)</b>	<b>209,054</b>
<b>CHANGE IN FUND BALANCE</b>					
	91,674	25,110	8,210	33,320	124,994
Fund balance, beginning of year	322,334	726,003	111,415	837,418	1,159,752
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 414,008</b>	<b>\$ 751,113</b>	<b>\$ 119,625</b>	<b>\$ 870,738</b>	<b>\$ 1,284,746</b>

**City of Ishpeming, Michigan**  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2006

	ASSETS					
	D.A.R.E. Fund	Library State Aid Fund	Al Quaal Fund	TIF Fund	Garbage & Rubbish Fund	Building Authority Fund
						Total
Cash and cash equivalents	\$ 7,833	\$ 34,193	\$ 87,345	\$ 57,755	\$ -	\$ 244,417
Investments	-	-	-	14,211	-	14,211
Accounts receivable, net	-	-	-	19,126	37,303	56,429
Taxes receivable	-	-	-	-	208,590	208,590
Due from other governments	-	-	-	222,738	-	222,738
Due from other funds	-	-	-	50,934	200,001	481,776
Notes receivable	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,833</b>	<b>\$ 34,193</b>	<b>\$ 87,345</b>	<b>\$ 364,764</b>	<b>\$ 445,894</b>	<b>\$ 1,228,161</b>
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ 73,806	\$ 73,806
Accounts payable	-	-	-	3,448	35,397	38,845
Accrued payroll	-	-	-	-	1,944	1,944
Accrued sick and vacation	-	-	-	-	-	-
Due to other funds	-	-	-	214,477	-	490,968
Deferred revenue	-	-	-	-	208,590	208,590
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,925</b>	<b>319,737</b>	<b>814,153</b>
FUND BALANCE:						
Reserved for special projects	-	-	-	-	28,878	28,878
Unreserved	7,833	34,193	87,345	146,839	97,279	385,130
<b>TOTAL FUND BALANCE</b>	<b>7,833</b>	<b>34,193</b>	<b>87,345</b>	<b>146,839</b>	<b>126,157</b>	<b>414,008</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 7,833</b>	<b>\$ 34,193</b>	<b>\$ 87,345</b>	<b>\$ 364,764</b>	<b>\$ 445,894</b>	<b>\$ 1,228,161</b>

**City of Ishpeming, Michigan**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2006**

	D.A.R.E. Fund	Library State Aid Fund	Al Quaal Fund	TIF Fund	Garbage & Rubbish Fund	Building Authority Fund	Total
<b>REVENUES:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 180,815	\$ -	\$ 180,815
Federal sources	-	-	-	29,692	-	2,300	31,992
State sources	-	10,032	-	-	-	-	10,032
Charges for services	-	-	-	-	236,819	-	236,819
Interest and rentals	-	-	-	667	1,441	-	5,005
Contributions	273	577	3,047	6,640	-	-	6,640
Fines and forfeitures	-	-	-	-	-	-	-
Other revenue	-	-	-	16,228	5,685	-	21,913
<b>TOTAL REVENUES</b>	<b>273</b>	<b>10,609</b>	<b>3,047</b>	<b>53,227</b>	<b>424,760</b>	<b>2,300</b>	<b>494,216</b>
<b>EXPENDITURES:</b>							
Current operations:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	354,261	-	354,261
Recreation and culture	-	14,377	-	-	-	-	14,377
Other governmental	-	-	-	198,476	-	-	198,476
Debt service:							
Principal	-	-	-	16,770	-	19,000	35,770
Interest and fiscal charges	-	-	-	7,492	-	46,904	54,396
Capital outlay	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>14,377</b>	<b>-</b>	<b>222,738</b>	<b>354,261</b>	<b>65,904</b>	<b>657,280</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>273</b>	<b>(3,768)</b>	<b>3,047</b>	<b>(169,511)</b>	<b>70,499</b>	<b>(63,604)</b>	<b>(163,064)</b>
<b>OTHER FINANCING SOURCES:</b>							
Investment in landfill	-	-	-	-	-	-	-
Transfers in	-	-	-	237,738	-	67,000	304,738
Transfers (out)	-	-	-	-	(50,000)	-	(50,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>237,738</b>	<b>(50,000)</b>	<b>67,000</b>	<b>254,738</b>
<b>CHANGE IN FUND BALANCE</b>	<b>273</b>	<b>(3,768)</b>	<b>3,047</b>	<b>68,227</b>	<b>20,499</b>	<b>3,396</b>	<b>91,674</b>
Fund balance, beginning of year	7,560	37,961	84,298	78,612	105,658	8,245	322,334
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 7,833</b>	<b>\$ 34,193</b>	<b>\$ 87,345</b>	<b>\$ 146,839</b>	<b>\$ 126,157</b>	<b>\$ 11,641</b>	<b>\$ 414,008</b>

**City of Ishpeming**  
**D.A.R.E. Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	<u>2006</u>			
	Final		Variance with	
	Amended		Final Budget	2005
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
REVENUES:				
Interest and rentals	\$ 150	\$ 273	\$ 123	\$ 158
TOTAL REVENUES	<u>150</u>	<u>273</u>	<u>123</u>	<u>158</u>
EXPENDITURES:				
CHANGE IN FUND BALANCE	150	273	123	158
Fund balance, beginning of year	<u>7,560</u>	<u>7,560</u>	-	<u>7,402</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,710</u>	<u>\$ 7,833</u>	<u>\$ (123)</u>	<u>\$ 7,560</u>

**City of Ishpeming**  
**Library State Aid Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2006**  
**With Comparative Actual Amounts for the Year Ended December 31, 2005**

	2006		Variance with	
	Final		Final Budget	
	Amended		Positive	2005
	Budget	Actual	(Negative)	Actual
REVENUES:				
State sources	\$ 10,000	\$ 10,032	\$ 32	\$ 12,078
Interest and rentals	600	577	(23)	589
TOTAL REVENUES	10,600	10,609	9	12,667
EXPENDITURES:				
Recreation and culture	18,500	14,377	4,123	20,894
TOTAL EXPENDITURES	18,500	14,377	4,123	20,894
CHANGE IN FUND BALANCE	(7,900)	(3,768)	4,132	(8,227)
Fund balance, beginning of year	37,961	37,961	-	46,188
FUND BALANCE, END OF YEAR	\$ 30,061	\$ 34,193	\$ (4,132)	\$ 37,961

**City of Ishpeming**  
**Al Quaal Fund**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2006  
 With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with	2005
	Final		Final Budget	
	Amended		Positive	2005
	Budget	Actual	(Negative)	Actual
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ -	-
State sources	-	-	-	-
Interest and rentals	200	3,047	2,847	1,806
Contributions	-	-	-	-
Other revenue	-	-	-	58
<b>TOTAL REVENUES</b>	<b>200</b>	<b>3,047</b>	<b>2,847</b>	<b>1,864</b>
<b>EXPENDITURES:</b>				
Recreation and culture	-	-	-	2,625
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,625</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>200</b>	<b>3,047</b>	<b>2,847</b>	<b>(761)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
<b>CHANGES IN FUND BALANCE</b>	<b>200</b>	<b>3,047</b>	<b>2,847</b>	<b>(761)</b>
Fund balance, beginning of year	84,298	84,298	-	85,059
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 84,498</b>	<b>\$ 87,345</b>	<b>\$ (2,847)</b>	<b>\$ 84,298</b>



**City of Ishpeming**  
**TIF District Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Actual Amounts for the Year Ended December 31, 2005**

	<u>2006</u>			
	Final		Variance with	
	Amended		Final Budget	2005
	Budget	Actual	Positive	Actual
			(Negative)	
REVENUES:				
Federal sources	-	29,692	29,692	62,923
Interest and rentals	200	667	467	556
Contributions	11,000	6,640	(4,360)	61,300
Other revenue	-	16,228	16,228	17,901
TOTAL REVENUES	<u>11,200</u>	<u>53,227</u>	<u>42,027</u>	<u>142,680</u>
EXPENDITURES:				
Debt service:				
Principal	32,000	16,770	15,230	15,990
Interest	8,000	7,492	508	4,086
Other governmental	<u>161,750</u>	<u>198,476</u>	<u>(36,726)</u>	<u>280,797</u>
TOTAL EXPENDITURES	<u>201,750</u>	<u>222,738</u>	<u>(20,988)</u>	<u>300,873</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(190,550)</u>	<u>(169,511)</u>	<u>21,039</u>	<u>(158,193)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>215,000</u>	<u>237,738</u>	<u>22,738</u>	<u>183,268</u>
CHANGE IN FUND BALANCE	<u>24,450</u>	<u>68,227</u>	<u>43,777</u>	<u>25,075</u>
Fund balance, beginning of year	<u>78,612</u>	<u>78,612</u>	<u>-</u>	<u>53,537</u>
FUND BALANCE, END OF YEAR \$	<u>103,062</u>	<u>\$ 146,839</u>	<u>\$ 43,777</u>	<u>\$ 78,612</u>

**City of Ishpeming**  
**Garbage and Rubbish Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Actual Amounts for the Year Ended December 31, 2005**

	<u>2006</u>		Variance with	
	Final		Final Budget	2005
	Amended		Positive	Actual
	Budget	Actual	(Negative)	
REVENUES:				
Taxes	\$ 196,000	\$ 180,815	\$ (15,185)	\$ 195,325
Charges for services	232,000	236,819	4,819	232,265
Interest and rentals	100	1,441	1,341	31
Other revenue	2,500	5,685	3,185	3,380
TOTAL REVENUES	<u>430,600</u>	<u>424,760</u>	<u>(5,840)</u>	<u>431,001</u>
EXPENDITURES:				
Public works	<u>386,600</u>	<u>354,261</u>	<u>32,339</u>	<u>349,199</u>
TOTAL EXPENDITURES	<u>386,600</u>	<u>354,261</u>	<u>32,339</u>	<u>349,199</u>
REVENUES OVER (UNDER) EXPENDITURES	44,000	70,499	26,499	81,802
OTHER FINANCING SOURCES (USES):				
Investment in landfill	-	-	-	(36,234)
Transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	(6,000)	20,499	26,499	45,568
Fund balance, beginning of year	<u>105,658</u>	<u>105,658</u>	<u>-</u>	<u>60,090</u>
FUND BALANCE, END OF YEAR	<u>\$ 99,658</u>	<u>\$ 126,157</u>	<u>\$ (26,499)</u>	<u>\$ 105,658</u>

**City of Ishpeming**  
**Building Authority Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	<u>2006</u>		Variance with	
	Final		Final Budget	2005
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
REVENUES:				
Federal sources	\$ -	\$ 2,300	\$ 2,300	\$ 317,700
Contributions	-	-	-	-
TOTAL REVENUES	-	2,300	2,300	317,700
EXPENDITURES:				
Other governmental	-	-	-	332,585
Debt service:				
Principal	20,000	19,000	1,000	19,000
Interest	47,000	46,904	96	47,870
TOTAL EXPENDITURES	67,000	65,904	1,096	399,455
REVENUES OVER (UNDER) EXPENDITURES	(67,000)	(63,604)	3,396	(81,755)
OTHER FINANCING SOURCES (USES):				
Transfers in	67,000	67,000	-	90,000
CHANGE IN FUND BALANCE	-	3,396	(3,396)	8,245
Fund balance, beginning of year	8,245	8,245	-	-
FUND BALANCE, END OF YEAR	\$ 8,245	\$ 11,641	\$ (3,396)	\$ 8,245

## City Of Ishpeming, Michigan

### ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of the City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

**City of Ishpeming, Michigan**  
**Ambulance Fund**  
**Statement of Net Assets**  
**December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	467,811	648,943
Allowance for uncollectible accounts	(447,811)	(200,000)
Other current assets	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>20,000</u>	<u>448,943</u>
Noncurrent Assets:		
Property, plant and equipment	267,420	267,420
Accumulated depreciation	<u>(254,123)</u>	<u>(242,726)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>13,297</u>	<u>24,694</u>
<b>TOTAL ASSETS</b>	<u>33,297</u>	<u>473,637</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdrafts	75,012	185,856
Accounts payable	71	2,717
Accrued payroll	-	63,368
Accrued sick and vacation	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>75,083</u>	<u>251,941</u>
<b>TOTAL LIABILITIES</b>	<u>75,083</u>	<u>251,941</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	13,297	24,694
Net Assets:		
Unrestricted	<u>(55,083)</u>	<u>197,002</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (41,786)</u>	<u>\$ 221,696</u>

**City of Ishpeming, Michigan**  
**Ambulance Fund**  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ (13,670)	\$ 605,806
Other operating revenues	<u>-</u>	<u>220</u>
<b>TOTAL OPERATING REVENUES</b>	<u>(13,670)</u>	<u>606,026</u>
<b>OPERATING EXPENSES:</b>		
Personal services	(233)	602,275
Capital outlay	-	2,368
Contractual services	7,600	-
Supplies	(1,528)	20,212
Utilities	2,574	6,704
Depreciation	11,397	11,397
Other expenses	<u>265,020</u>	<u>97,527</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>284,830</u>	<u>740,483</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(298,500)</u>	<u>(134,457)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income and rentals	<u>18</u>	<u>119</u>
<b>TOTAL NONOPERATING (EXPENSES)</b>	<u>18</u>	<u>119</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(298,482)	(134,338)
Transfers in (out)	<u>35,000</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(263,482) -	(134,338)
Net assets, beginning of year	<u>221,696</u>	<u>356,034</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ (41,786)</u></u>	<u><u>\$ 221,696</u></u>

City of Ishpeming, Michigan  
Ambulance Fund  
Statement of Cash Flows  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 415,273	\$ 642,205
Other operating revenues	-	220
Cash payments to employees for services	(63,135)	(600,147)
Cash payments for payroll taxes	(4,830)	(46,074)
Cash payments to suppliers for goods and services	(271,482)	(87,545)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>75,826</b>	<b>(91,341)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in (out)	35,000	-
Increase in due to other funds	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>35,000</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	18	119
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>18</b>	<b>119</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>110,844</b>	<b>(91,222)</b>
Cash and cash equivalents, beginning of year	(185,856)	(94,634)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ (75,012)</b>	<b>\$ (185,856)</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (298,500)	\$ (134,457)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,397	11,397
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	428,943	36,399
Increase (decrease) in accounts payable	(2,646)	(6,808)
Increase (decrease) in accrued payroll	(63,368)	44,871
Increase (decrease) in accrued sick and vacation	-	(42,743)
<b>NET ADJUSTMENTS</b>	<b>374,326</b>	<b>43,116</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 75,826</b>	<b>\$ (91,341)</b>

City of Ishpeming, Michigan  
Sewer Fund  
Statement of Net Assets  
December 31, 2006 and 2005

	2006	2005
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 123,582	\$ 304,062
Accounts receivable	60,454	57,263
Allowance for uncollectible accounts	-	-
Prepaid expenses	49,109	43,185
<b>TOTAL CURRENT ASSETS</b>	<b>233,145</b>	<b>404,510</b>
Noncurrent Assets:		
Investment in Wastewater Treatment Facility	2,471,672	2,536,043
Property, plant and equipment	14,166,469	14,166,469
Accumulated depreciation	(6,542,318)	(6,190,410)
<b>TOTAL NONCURRENT ASSETS</b>	<b>10,095,823</b>	<b>10,512,102</b>
<b>TOTAL ASSETS</b>	<b>10,328,968</b>	<b>10,916,612</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	34,446	220
Accrued payroll	3,548	1,715
<b>TOTAL CURRENT LIABILITIES</b>	<b>37,994</b>	<b>1,935</b>
<b>TOTAL LIABILITIES</b>	<b>37,994</b>	<b>1,935</b>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	10,095,823	10,512,102
Net Assets:		
Unrestricted	195,151	402,575
<b>TOTAL NET ASSETS</b>	<b>\$ 10,290,974</b>	<b>\$ 10,914,677</b>



**City of Ishpeming, Michigan**  
**Sewer Fund**  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006	2005
<b>OPERATING REVENUES:</b>		
Taxes	\$ -	\$ -
Licenses and permits	360	450
Charges for services	729,638	713,367
<b>TOTAL OPERATING REVENUES</b>	<b>729,998</b>	<b>713,817</b>
<b>OPERATING EXPENSES:</b>		
Personal services	151,953	85,055
Contractual services	429,061	423,462
Supplies	85,796	42,166
Utilities	1,327	1,188
Depreciation	351,908	351,907
Payment in lieu of taxes	185,000	140,000
Other expenses	1,843	1,024
<b>TOTAL OPERATING EXPENSES</b>	<b>1,206,888</b>	<b>1,044,802</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(476,890)</b>	<b>(330,985)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest expense	-	-
Tax Tribunal adjustments	(33,893)	-
Loss on wastewater facility	(64,371)	(61,290)
Interest income and rentals	11,451	9,762
<b>TOTAL NONOPERATING (EXPENSES)</b>	<b>(86,813)</b>	<b>(51,528)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>(563,703)</b>	<b>(382,513)</b>
Capital contributions	-	-
Transfers (out)	(60,000)	(50,000)
<b>CHANGE IN NET ASSETS</b>	<b>(623,703)</b>	<b>(432,513)</b>
Net assets, beginning of year	10,914,677	11,347,190
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 10,290,974</b>	<b>\$ 10,914,677</b>

City of Ishpeming, Michigan  
Sewer Fund  
Statement of Cash Flows  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 726,807	\$ 716,404
Other operating revenues	-	-
Cash payments to employees for services	(150,120)	(84,895)
Cash payments for payroll taxes	(11,484)	(6,507)
Cash payments to suppliers for goods and services	(697,134)	(573,556)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(131,931)</b>	<b>51,446</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in (out)	(60,000)	(50,000)
Increase in due to other funds	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(60,000)</b>	<b>(50,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	-	-
Interest paid on long-term bonds	-	-
Principal payment on long-term bonds	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	11,451	9,762
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>11,451</b>	<b>9,762</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(180,480)</b>	<b>11,208</b>
Cash and cash equivalents, beginning of year	304,062	292,854
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 123,582</b>	<b>\$ 304,062</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (510,783)	\$ (330,985)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	351,908	351,907
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(3,191)	2,587
(Increase) decrease in taxes receivable	-	-
(Increase) decrease in prepaid expenses	(5,924)	27,867
Increase (decrease) in accounts payable	34,226	(90)
Increase (decrease) in accrued payroll	1,833	160
Increase (decrease) in deferred revenue	-	-
<b>NET ADJUSTMENTS</b>	<b>378,852</b>	<b>382,431</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (131,931)</b>	<b>\$ 51,446</b>

**City of Ishpeming, Michigan**  
**Water Fund**  
**Statement of Net Assets**  
**December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 685,137	\$ 641,473
Accounts receivable	264,946	263,005
Allowance for uncollectible accounts	-	-
Other current assets	-	-
	<u>950,083</u>	<u>904,478</u>
<b>TOTAL CURRENT ASSETS</b>		
Noncurrent Assets:		
Investment in Joint Water Authority	3,507,323	3,507,323
Property, plant and equipment	3,615,848	3,468,071
Accumulated depreciation	<u>(1,880,808)</u>	<u>(1,799,220)</u>
	<u>5,242,363</u>	<u>5,176,174</u>
<b>TOTAL NONCURRENT ASSETS</b>		
	<u>6,192,446</u>	<u>6,080,652</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	27,991	50,209
Accrued liabilities	54,049	55,474
Accrued payroll	7,898	5,592
Accrued sick and vacation leave	34,019	30,862
Other current liabilities	-	-
	<u>123,957</u>	<u>142,137</u>
<b>TOTAL CURRENT LIABILITIES</b>		
	<u>123,957</u>	<u>142,137</u>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	5,242,363	5,176,174
Net Assets:		
Unrestricted	<u>826,126</u>	<u>762,341</u>
	<u>6,068,489</u>	<u>5,938,515</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 6,068,489</u>	<u>\$ 5,938,515</u>

City of Ishpeming, Michigan  
Water Fund  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006	2005
<b>OPERATING REVENUES:</b>		
State sources	\$ -	\$ 14,775
Licenses and permits	400	500
Charges for services	1,003,225	980,788
Other revenue	15,792	13,213
<b>TOTAL OPERATING REVENUES</b>	<b>1,019,417</b>	<b>1,009,276</b>
<b>OPERATING EXPENSES:</b>		
Personal services	232,310	223,298
Contractual services	320,010	291,764
Supplies	61,449	43,603
Utilities	8,979	7,386
Depreciation	81,588	79,249
Payment in lieu of taxes	95,000	85,000
Other expenses	8,382	7,288
<b>TOTAL OPERATING EXPENSES</b>	<b>807,718</b>	<b>737,588</b>
<b>OPERATING INCOME (LOSS)</b>	<b>211,699</b>	<b>271,688</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest expense	-	-
Interest income and rentals	28,275	16,478
<b>TOTAL NONOPERATING (EXPENSES)</b>	<b>28,275</b>	<b>16,478</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>239,974</b>	<b>288,166</b>
Capital contributions	-	31,500
Transfers (out)	(110,000)	(100,000)
<b>CHANGE IN NET ASSETS</b>	<b>129,974</b>	<b>219,666</b>
Net assets, beginning of year	5,938,515	5,718,849
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 6,068,489</b>	<b>\$ 5,938,515</b>

City of Ishpeming, Michigan  
Water Fund  
Statement of Cash Flows  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 1,001,684	\$ 977,054
Other operating revenues	15,792	13,213
Cash payments to employees for services	(226,847)	(231,188)
Cash payments for payroll taxes	(17,354)	(17,082)
Cash payments to suppliers for goods and services	(500,109)	(392,144)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>273,166</b>	<b>349,853</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in (out)	(110,000)	(100,000)
Increase in due to other funds	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(110,000)</b>	<b>(100,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(147,777)	(98,628)
Capital contributions received	-	31,500
Interest paid on long-term bonds	-	-
Principal payment on long-term bonds	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(147,777)</b>	<b>(67,128)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	28,275	16,478
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>28,275</b>	<b>16,478</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>43,664</b>	<b>199,203</b>
Cash and cash equivalents, beginning of year	641,473	442,270
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 685,137</b>	<b>\$ 641,473</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 211,699	\$ 271,688
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	81,588	79,249
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(1,941)	(19,009)
Increase (decrease) in accounts payable	(22,218)	22,841
Increase (decrease) in customer deposits payable	(1,425)	2,974
Increase (decrease) in accrued payroll	2,306	(1,440)
Increase (decrease) in accrued sick and vacation	3,157	(6,450)
<b>NET ADJUSTMENTS</b>	<b>61,467</b>	<b>78,165</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 273,166</b>	<b>\$ 349,853</b>

## City of Ishpeming, Michigan

### FIDUCIARY FUNDS

The function of Fiduciary Funds is to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These include (a) private-purpose trust funds, (b) pension trust funds, and (c) agency funds.

City of Ishpeming, Michigan  
Fiduciary Funds  
Combining Statement of Fiduciary Net Assets  
December 31, 2006

	Private-Purpose Trust Funds				Agency Funds		
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals	Trust & Agency Fund	Tax Collection Fund	Totals
<b>ASSETS</b>							
Cash and equivalents	\$ 117	\$ 5,700	\$ 1,568	\$ 7,385	\$ 2,049	\$ 598,215	\$ 600,264
Investments	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>117</b>	<b>5,700</b>	<b>1,568</b>	<b>7,385</b>	<b>2,049</b>	<b>598,215</b>	<b>600,264</b>
<b>LIABILITIES</b>							
Accounts payable	-	-	-	-	-	-	-
Due to other funds	70	-	-	70	385	148,232	148,617
Due to other governmental units	-	-	-	-	1,664	449,983	451,647
Deferred revenues	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>2,049</b>	<b>598,215</b>	<b>600,264</b>
<b>NET ASSETS</b>							
Held in trust for individuals, organizations, and other governments	47	5,700	1,568	7,315			
<b>TOTAL NET ASSETS</b>	<b>\$ 47</b>	<b>\$ 5,700</b>	<b>\$ 1,568</b>	<b>\$ 7,315</b>			

City of Ishpeming, Michigan  
Fiduciary Funds  
Combining Statement of Changes in Fiduciary Net Assets  
For the Year Ended December 31, 2006

	Private-Purpose Trust Funds			
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals
<b>ADDITIONS:</b>				
Contributions:				
Gifts, bequests and endowments	\$ -	\$ -	\$ -	\$ -
Total Contributions	-	-	-	-
Investment Income:				
Net appreciation (depreciation) in fair value of investments	-	-	-	-
Interest and dividends	1	67	15	83
Net Investment Income (Loss)	1	67	15	83
<b>TOTAL ADDITIONS</b>	<b>1</b>	<b>67</b>	<b>15</b>	<b>83</b>
<b>DEDUCTIONS:</b>				
Payments in accordance with trust agreements	70	1,027	-	1,097
<b>TOTAL DEDUCTIONS</b>	<b>70</b>	<b>1,027</b>	<b>-</b>	<b>1,097</b>
<b>CHANGE IN NET ASSETS</b>	<b>(69)</b>	<b>(960)</b>	<b>15</b>	<b>(1,014)</b>
Net assets, beginning of year	116	6,660	1,553	8,329
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 47</b>	<b>\$ 5,700</b>	<b>\$ 1,568</b>	<b>\$ 7,315</b>



## COMPLIANCE SUPPLEMENTS



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the City  
Council and the City Manager of the  
City of Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the City of Ishpeming, Michigan's basic financial statements and have issued our report thereon dated May 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ishpeming, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the City of Ishpeming, Michigan's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Ishpeming, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ishpeming, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ishpeming, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Ishpeming, Michigan's internal control. These instances are described in a separate letter to management dated May 28, 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ishpeming, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Honorable Mayor, Members of the City  
Council and the City Manager of the  
City of Ishpeming, Michigan 49849

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ishpeming, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated May 28, 2007.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

May 28, 2007



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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MARQUETTE

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MILWAUKEE

To the Honorable Mayor and City Council  
City of Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of City of Ishpeming, Michigan as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered City of Ishpeming, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

### Financial Reporting Cycle

The monthly and year end financial reporting package as presented to the Council is not fully compliant with the generally accepted accounting principles of reporting. Although the package contains a very informative summation of the various Funds revenues and expenditures on both actual and budget basis it lacks the funds respective balance sheets which are necessary to determine the Funds financial position. We recommend the package be expanded to include the balance sheets to conform to current reporting standards. We also suggest the monthly and year end cut-off adjusting entries be incorporated into the financial statements in order to present a cleared picture of the various funds of the City.

City of Ishpeming, Michigan  
Ishpeming, MI 49849

### **Instances of Non-Compliance**

#### **Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote S.

#### ***Unrestricted Net Asset Deficit***

The State of Michigan has enacted Public Act 275 of 1980, as amended: Failure to File Reports and Deficit Elimination Plans requiring local units to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition that existed at the end of the previous fiscal year. For reporting fund deficits, the term "fund deficit" is defined as a negative unreserved portion of fund balance for governmental fund types and a negative unrestricted portion of net assets for proprietary fund types.

The City's Ambulance fund had a deficit in unrestricted net assets of \$55,083 with the fund's total net assets amounting to \$(41,786). The City was found to be in violation of the legal and contractual provisions of Public Act 275 by not filing a deficit elimination plan within 90 days as a result of this deficit in the Ambulance Fund as of December 31, 2006.

City of Ishpeming, Michigan  
Ishpeming, MI 49849

This communication is intended solely for the information and use of management, the City Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Company, PLC*  
Certified Public Accountants

May 28, 2007